

U.S.\$500,000,000



**Raizen Fuels Finance S.A.**

*(public limited liability company (société anonyme))  
(organized and existing under the laws of the Grand Duchy of Luxembourg)*

**5.300% Notes due 2027**

*Unconditionally and irrevocably guaranteed by*

**Raízen Combustíveis S.A. and Raízen Energia S.A.**

*(Incorporated in the Federative Republic of Brazil)*

Raizen Fuels Finance S.A., or the Issuer, a public limited liability company (*société anonyme*), organized and existing under the laws of the Grand Duchy of Luxembourg, or Luxembourg, is offering U.S.\$500,000,000 aggregate principal amount of 5.300% notes due 2027, or the notes. Interest on the notes will accrue at a rate of 5.300% per year. The Issuer will pay interest on the notes in arrears on January 20 and July 20 of each year, commencing on July 20, 2017. The notes will mature on January 20, 2027.

The notes will be unsecured and will rank equally with the other unsecured unsubordinated indebtedness that the Issuer may incur. All of the Issuer's obligations pursuant to the notes and the indenture under which they are issued will be fully and unconditionally guaranteed, on an unsecured basis, by each of Raízen Combustíveis S.A. and Raízen Energia S.A., or the Guarantors.

The Issuer may, at its option, redeem all of the notes at any time or part of the notes from time to time by paying the greater of (i) 100% of the principal amount of the notes plus accrued interest to the date of redemption and (ii) the applicable "make-whole" amount. 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 the Issuer or its affiliates). The notes may also be redeemed, in whole but not in part, at 100% of their principal amount plus accrued interest at any time upon the occurrence of specified events relating to tax law imposed by relevant jurisdictions, as set forth in this offering memorandum. In addition, upon the occurrence of a Change of Control that results in a Ratings Decline (each as defined in "Description of the Notes"), the Issuer will be required to offer to purchase the notes at the price as set forth in this offering memorandum. See "Description of the Notes—Purchase of Notes upon Change of Control Event." The Guarantors' respective guarantees will rank equally in right of payment with the other unsecured unsubordinated indebtedness and guarantees of the Guarantors and effectively subordinated to the liabilities of the Guarantors' subsidiaries and jointly controlled companies. The guarantees will be effectively junior to the secured indebtedness of Guarantors to the extent of such security and to the indebtedness of the Guarantors' non-guarantor subsidiaries and jointly controlled companies. For a detailed description of the notes, see "Description of the Notes."

There is currently no public market for the notes. Application will be made to list the notes on the Official List of the Luxembourg Stock Exchange and to admit the notes to trading on the Euro MTF market of the Luxembourg Stock Exchange, or the Euro MTF. There are no assurances that the notes will be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF. The Euro MTF is not a regulated market within the meaning of the provisions of Directive 2004/39/EC on markets in financial instruments, or the MiFID. See "Listing and General Information." The notes will not be admitted to trading on the Euro MTF prior to or on the settlement date.

**Investing in the notes involves risks. See "Risk Factors" beginning on page 17.**

**Issue Price: 100.000% plus accrued interest, if any, from January 20, 2017**

The notes (and the guarantees) have not been, and will not be, registered under the U.S. 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 under the Securities Act, or Rule 144A, and to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act, or 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. For more information about restrictions on transfer of the notes, see "Transfer Restrictions."

The notes were delivered to purchasers 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*, or Clearstream, on or about January 20, 2017.

*Joint Book-Running Managers*

**BofA Merrill Lynch**

**Citigroup**

**J.P. Morgan**

**Santander**

**Bradesco BBI**

The date of this offering memorandum is March 9, 2017.

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Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to (1) “Raízen Combustíveis” refers to Raízen Combustíveis S.A., the downstream joint venture company; (2) “Raízen Energia” refers to Raízen Energia S.A. (formerly Raízen Energia e Participações S.A.), the upstream joint venture company; (3) “Shell” refers to Shell Brazil Holdings B.V.; (4) “Cosan” refers to Cosan S.A. Indústria e Comércio; and (5) “Raízen,” the “Company,” “the Raízen joint venture,” “we,” “our,” “ours,” “us” or similar terms refer collectively to Raízen Energia S.A. and Raízen Combustíveis S.A. collectively, together with their respective consolidated subsidiaries.

In this offering memorandum, references to the Initial Purchasers are to Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Santander Investment Securities Inc. and Banco Bradesco BBI S.A.

In addition, the term “Brazil” refers to the Federative Republic of Brazil and the phrase “Brazilian government” refers to the federal government of Brazil. The term “Central Bank” refers to the Central Bank of Brazil (*Banco Central do Brasil*). All references to “real,” “reais” or “R\$” are to the Brazilian *real*, the official currency of Brazil and all references to “U.S. dollar,” “U.S. dollars” or “U.S.\$” are to U.S. dollars, the official currency of the United States of America. Unless otherwise stated, all numbers included in this offering memorandum are expressed in *reais*. This offering memorandum contains translations of various *real* amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the *real* amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have converted the *real* amounts using the U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 per U.S.\$1.00. For more information, see “Exchange Rates.”

We and the Issuer, having made all reasonable inquiries, confirm that the information contained in this offering memorandum with regard to them and 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 and the Issuer accept responsibility accordingly.

**We, the Issuer and the Initial Purchasers have not authorized anyone to provide any information other than that contained in this offering memorandum prepared by us and the Issuer or on our and the Issuer's behalf. We, the Issuer and the Initial Purchasers 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 the notes. Our business, financial condition, results of operations and prospects may change after the date on the front cover of this offering memorandum. None of us, the Issuer, or the Initial Purchasers is making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted.**

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The Issuer is relying on exemptions 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.

The Issuer will apply to admit the notes to listing on the Official List of the Luxembourg Stock Exchange, and to trading on the Euro MTF of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange 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 and the Issuer have prepared this offering memorandum for use solely in connection with the proposed offering of the notes outside of Brazil.

Neither this offering memorandum nor any other information supplied in connection with the notes should be considered as a recommendation by us, the Issuer or any of the Initial Purchasers that any recipient of this offering memorandum or any other information supplied in connection with the notes should subscribe for or purchase any notes. Each investor contemplating subscribing for or purchasing any notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of us and the Issuer. This offering memorandum does not constitute an offer of, or an invitation by or on behalf of us, the Issuer, any Initial Purchaser or the Trustee (as defined herein) to subscribe or purchase, any of the notes in any jurisdiction where such offer is not permitted. The distribution of this offering memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes are required by us, the Issuer, each of the Initial Purchasers and the Trustee to inform themselves about and to observe any such restrictions. None of us, the Issuer, nor any Initial Purchaser represents that this offering memorandum may be lawfully distributed, or that any notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by us, the Issuer or any Initial Purchaser that is intended to permit a public offering of any notes or distribution of this offering memorandum in any jurisdiction where action for that purpose is required. Accordingly, no notes may be offered or sold, directly or indirectly, and neither this offering memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

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.

We and the Issuer 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. The Issuer and the Initial Purchasers 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.

This offering memorandum summarizes certain documents and other information and we and the Issuer refer you to them for a more complete understanding of what we and the Issuer 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.

Neither the Trustee nor the Initial Purchasers accepts any liability in relation to the information contained in this offering memorandum or any other information provided by us or the Issuer in connection with the Notes. In addition, no representation, warranty or undertaking, express or implied, is made by any Initial Purchaser or the Trustee as to the accuracy or completeness of the information contained or incorporated in this offering memorandum or any other information provided by us or the Issuer in connection with the notes, and nothing contained herein is or shall be relied upon as a promise or representation by any Initial Purchaser or the Trustee, whether as to the past or to the future.

We, the Issuer and the Initial Purchasers 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. Except for public offerings with restricted placement efforts, as regulated by CVM Instruction No. 476, issued by the CVM on January 16, 2009, as amended, any public offering or distribution, as defined under Brazilian laws and regulations, of securities in Brazil is not legal without prior registration under Law No. 6,385, of December 7, 1976, 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 distributed 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 offering 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 U.S. Securities and Exchange Commission, or 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 Issuer, the Initial Purchasers, 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 (as amended), 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 Purchasers or us to produce a prospectus for that offer. This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 10, 2005, as amended.

### **Additional Information**

While any notes remain outstanding, the Issuer 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 the Issuer (1) is 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) becomes exempt from such reporting requirements pursuant to, and in compliance with, Rule 12g3-2(b) of the Exchange Act (as amended from time to time and including any successor provision).

Application will be made to list the notes on the Official List of the Luxembourg Stock Exchange, and to admit the notes to trading on the Euro MTF. See “Listing and General Information.” The Issuer will comply with any undertakings that it gives 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 Combined Consolidated Financial and Other Information,” “Capitalization,” “Selected Combined Consolidated Financial and Other Information” and elsewhere in this offering memorandum from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 per 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 and Interim Financial Information

We have included in this offering memorandum (all of which are prepared in accordance with accounting practices adopted in Brazil, or Brazilian GAAP, as issued by the Brazilian Accounting Standards Committee (*Comitê de Pronunciamentos Contábeis*), or the CPC, and the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*), and International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or the IASB):

- our unaudited combined consolidated interim financial information as of and for the six-month period ended September 30, 2016 (with the corresponding figures for the six-month period ended September 30, 2015 and as of March 31, 2016), prepared in accordance with Technical Pronouncement CPC 21(R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting issued by the IASB;
- our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2016 (with the corresponding figures for the fiscal year ended March 31, 2015), or the March 2016 financial statements; and
- our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2015 (with the corresponding figures for the fiscal year ended March 31, 2014), or the March 2015 financial statements.

Technical pronouncement CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment, equivalent to international standard IAS 41 – Agriculture and IAS 16 – Property, Plant and Equipment, respectively, have been amended to require bearer biological assets (in the case of Raízen Energia, sugarcane roots) to be accounted under the cost model in accordance with CPC 27 and IAS 16 (*i.e.*, cost less accumulated depreciation and impairment loss, if any). The amendments did not change the accounting for consumable biological assets (in the case of Raízen Energia, standing cane (sugarcane before being harvested) which remained within the scope of CPC 29 and IAS 41 (*i.e.*, accounted for at fair value). The amendments apply for periods beginning on or after January 1, 2016, which is effective for Raízen Energia as from the year beginning on April 1, 2016.

Our unaudited combined consolidated interim financial information as of and for the six-month period ended September 30, 2016 give effect to the change in accounting policy introduced by the amendments to the technical pronouncements. Accordingly, we have adjusted and restated, as required by technical pronouncements CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors and CPC 26 (R1) – Presentation of Financial Statements, the relevant combined consolidated balance sheet information as of March 31, 2016 and the relevant interim financial information in our combined consolidated statements of income and comprehensive income for the three- and six-month periods ended September 30, 2015 and statements of changes in equity and cash flows for the six-month period ended September 30, 2015, presented for comparison purposes.

Neither the March 2016 financial statements nor the March 2015 financial statements have been restated to retrospectively give effect to the amendments to the CPC 27 and CPC 29. Our audited combined consolidated financial statements as of and for the year ending March 31, 2017 (with the corresponding figures for the fiscal year ended March 31, 2016) will reflect these changes in accounting policy.

Based on the currently available information, the impacts on: (i) March 2016 financial statements is a reclassification from non-current assets to current assets ranging from R\$700 million to R\$1,100 million and on costs of products sold and services provided will range from an increase of R\$200 million to R\$310 million; and (ii) March 2015 financial statements, a reclassification from non-current assets to current assets ranging from R\$400 million to R\$700 million and on costs of products sold and services provided will range from a decrease of R\$400 thousand to R\$650 thousand.

See also “Independent Auditors” and “Index to Financial Statements.”

## **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, the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, 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, Bloomberg, the New York Board of Trade, or NYBOT, the Fundação Getúlio Vargas, or FGV, the Agriculture School of the University of São Paulo (*Escola Superior de Agricultura Luiz de Queiroz*), or ESALQ, the New York Stock Exchange, or the NYSE, the London Stock Exchange, the National Agency of Petroleum, Natural Gas and Biofuels (*Agência Nacional do Petróleo, Gás Natural e Biocombustíveis*), or ANP, the Sugarcane Agroindustry Association of the state of São Paulo (*União da Agroindústria Canavieira de São Paulo*), or UNICA, the Counsel of Sugarcane, Sugar and Ethanol Producers of the State of São Paulo (*Conselho dos Produtores de Cana-de-Açúcar, Açúcar e Alcool do Estado de São Paulo*), or CONSECANA, and the National Union of Distributors of Fuels and Lubricants (*Sindicato Nacional das Empresas Distribuidoras de Combustíveis e Lubrificantes*), or Sindicom and the National Electric Energy Agency (*Agência Nacional de Energia Elétrica*) or ANEEL. We believe that all market data in this offering memorandum is reliable, accurate and complete.

## **Special Note Regarding Non-GAAP Financial Measures**

This offering memorandum discloses the following non-GAAP financial measures: (i) Net Debt, as defined by us as current and non-current borrowings, net of cash and cash equivalents, marketable securities, derivative assets or liabilities related to foreign exchange rate risk and interest rate risk and other financial assets (e.g., Brazilian treasury bonds (*Certificado do Tesouro Nacional*, or CTN, related to *Projetos Externos Securitização Agrícola*, or PESA), (ii) EBITDA, as defined by us as our combined consolidated net income plus combined consolidated financial results, combined consolidated income and social contributions taxes and combined consolidated depreciation and amortization included in any of the foregoing expenses and (iii) Net Debt to EBITDA Ratio or Net Debt/EBITDA, as the case may be, as defined by us as the ratio of: (a) the aggregate amount of Net Debt as of the end of the period to (b) EBITDA for the relevant period. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Financial Presentation and Accounting Policies—Critical Accounting Policies and Estimates.” We use the definition of 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 Net Debt is useful to potential investors as it helps to give them a clearer understanding of our financial liquidity. Net Debt is also used to calculate certain leverage ratios. Our management also believe that EBITDA and Net Debt to EBITDA Ratio or Net Debt/EBITDA, as the case may be, provide 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, Net Debt, EBITDA, Net Debt to EBITDA Ratio or Net

Debt/EBITDA, as the case may be, are not measures under IFRS or Brazilian GAAP 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, or net debt or other measures of indebtedness, in each case, determined in accordance with IFRS or Brazilian GAAP. 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

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 herein concerning our business and financial performance include estimates and forward-looking statements and, therefore, neither indicate nor are a guarantee future results.

Our estimates and forward-looking statements are mainly based on our current expectations and estimates on projections of future events and operating and financial trends, which affect or may affect our industry, market share, reputation, businesses, financial condition, results of operations, margins, and/or cash flow. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties, are made in light of information currently available to us and should not be considered a guarantee of the results of operations we may achieve.

Many significant factors in addition to those stated in this offering memorandum may adversely affect our current estimates and forward-looking statements, and whether these estimates or statements may be realized. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- our ability to successfully implement structural changes aimed at generating and maximizing profits;
- economic, political, social and business conditions in Brazil, particularly in the regions of the country in which we are active, notably with respect to inflation, exchange rate fluctuation of the *real*, interest rates fluctuation and the political environment in Brazil following the impeachment of former President Dilma Rousseff;
- our ability to successfully compete in all segments and geographical markets where we currently conduct business or may conduct businesses in the future;
- our ability to fulfill our financial obligations or obtain refinancing;
- our ability to sustain and improve our performance;
- the impact of legislation and new regulations on our business;
- government intervention resulting in changes in the economy, taxes and tariffs affecting the markets in which we operate;
- recruitment, remuneration and retention of our “key employees”;
- events and risk perception in relation to corruption allegations involving Petr leo Brasileiro S.A. – Petrobras (Brazil’s state-owned oil company, one of the country’s largest companies), or Petrobras, and the impacts of such investigation on the Brazilian economy and political outlook as a whole;
- the impact of the economic recession affecting Brazil and the possible fiscal adjustment process which may adversely affect the growth of demand in the Brazilian economy as a whole;
- our ability to obtain labor and supply services at reasonable prices without interruption;
- our capitalization and indebtedness level;
- unavailability of adequate financing to face our needs or inability to make the volume of investment as set out in our business plan within the expected time frame;
- our ability to identify, develop, plan and implement new projects;

- delays, excess or cost increases not foreseen in the implementation of our projects and other issues related to construction and development;
- factors or trends that may affect our business, market share, financial condition, liquidity and results of our operations;
- our capitalization and indebtedness level and our ability to arrange financing and to implement our capital expansion plan; 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 are offered hereby. It may not contain all of the information that may be important to you. Before investing in the notes, you should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including our combined consolidated 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 energy company, established in June 2011 as a 50%-50% joint venture between Cosan and Shell. We are among the market leaders in the three sectors in which we operate: fuel distribution, ethanol and sugar production, and energy cogeneration. We conduct our business in a sustainable and vertically integrated manner, and participate in all stages of the value chain from planting, harvesting and processing to storage, logistics and sales of our wide range of products. Based on publicly available information, we are the eighth largest company in Brazil based on net revenues.

Some of our key competitive strengths in our business segments include (i) large-scale production and distribution, (ii) operational excellence driven by innovation and technology optimization, (iii) a highly developed logistics infrastructure, (iv) strong brand recognition, and (v) a strong credit profile.

Our strategic goals are to be a fully integrated and market leading player capable of generating sound and resilient results through our scaled business, as well as to be the efficiency benchmark in each of the sectors in which we operate.

### ***Raízen Combustíveis***

We distribute fuels in the Brazilian market through Raízen Combustíveis. Raízen Combustíveis is the second largest Brazilian fuel distributor and is engaged in sourcing, storing, blending and distributing gasoline, ethanol, diesel, and aviation fuel through a nationwide network of 5,904 Shell-branded retail service stations (961 of which feature integrated convenience stores), 67 distribution terminals and 62 airport terminals supplying aviation fuel.

Raízen Combustíveis benefits from its strategically located assets nationwide, the majority of which are concentrated near major consumer markets, allowing capture of efficiencies associated to the higher consumption patterns and lower costs due to the available fuel distribution infrastructure.

Our strategic goal is to be the preferred choice for dealers and clients and the most efficient fuel distributor in Brazil (in terms of gallons per station). We are focused on continued retail growth through selective white pumps branding and regional acquisitions. In addition, we are also focused on the strategic positioning of our infrastructure and in the growth in our non-fuels business with the aim of improving customer experience through the use of our convenience stores, or C-Stores, innovative payment methods and the Shell Box web based platform. Through Raízen Combustíveis, we also aim to deliver the best offering of premium products through our VPower portfolio.

### ***Raízen Energia***

We are the largest Brazilian sugarcane processing company and the largest producer-exporter of sugar. The integration, flexibility and organization of our assets in large clusters enable us to reduce our costs of production, purchase and logistics and achieve economies of scale unattainable by smaller producers.

Our core business is the production and sale of a variety of products derived from sugarcane, including anhydrous and hydrous ethanol and raw sugar, as well as energy cogeneration from sugarcane bagasse and ethanol trading. Raízen Energia operates 24 mills mainly located across five clusters in the Central-South region, with a current crushing capacity of approximately 68 million tons of sugarcane per year in aggregate. Raízen Energia’s production units are self-sufficient in energy consumption and 13 of them have long-term contracts for the sale of surplus power to the National Interconnected System (*Sistema Interligado Nacional*), or SIN. Raízen Energia

recorded R\$11,867.1 million in revenues for the fiscal year ended March 31, 2016, of which 49% came from ethanol sales, 43% from sugar sales, 5% from energy sales and 3% from other products.

Our strategic goal is to be the lowest cost producer in the market. In order to achieve our goal, we are focused on achieving efficiencies through the use of new technologies and process improvements, exploring opportunities through selective acquisitions and partnerships, capturing additional synergies and benefiting from upward price cycles. Certain of our other key strategic objectives include increasing capacity for generating straw and other biogases, second generation ethanol (E2G), and developing ethanol as a clean alternative to fossil fuels, globally and locally.

## Our Operations

### *Fuel Distribution (Raízen Combustíveis)*

Through Raízen Combustíveis, we are engaged in sourcing, storing, blending and distributing gasoline, ethanol, diesel and aviation fuel through our nationwide network of 5,904 Shell-branded retail service stations, 67 distribution terminals, and 62 airport terminals supplying aviation fuel. Following the formation of the Raízen joint venture on June 1, 2011, we are currently the second largest Brazilian fuel distributor, with approximately 27% market share in Brazil in terms of volume of fuel sold in the six-month period ended September 30, 2016, according to Sindicom.

The following are the three main lines of activity in which Raízen Combustíveis is engaged:

- *Retail*: Raízen Combustíveis operates in the retail segment of the fuels distribution market through a network of Shell-branded retail service gas stations which on September 30, 2016 totaled 5,904 stations throughout Brazil. Raízen Combustíveis is a “Shell” brand licensed company, which is recognized as a symbol of quality and technology.
- *Business to Business (B2B)*: Raízen Combustíveis operates in the B2B segment with more than 1,700 customers such as cargo and passengers transport companies and companies in the agricultural and mining industries, among others. Our B2B strategy is focused on customer loyalty through premium technology products (Shell V-Power and Shell Evolux portfolios), digital payment methods and carrier fleet control tools.
- *Aviation*: Raízen Combustíveis operates in the aviation sector through its 62 supply bases in Brazilian airports, providing services to commercial and business aviation companies. Raízen Combustíveis invests in the improvement of customer services and marketing strategies to differentiate its product offering in the business aviation market. The product marketed by this segment is Shell Aerojet.

Raízen Combustíveis recorded net sales of fuel of R\$63,743.2 million in the fiscal year ended March 31, 2016, R\$56,784.5 million in the fiscal year ended March 31, 2015, and R\$50,591.5 million in the fiscal year ended March 31, 2014.

Raízen Combustíveis Highlights	As of and for the Six-Month Period Ended September 30,	As of and for the Fiscal Year Ended March 31,		
	2016	2016	2015	2014
Service stations .....	5,904	5,809	5,427	4,972
Fuels sold (billion liters) .....	13,162.3	25,569.2	25,220.2	23,722.7
Ethanol sales (R\$ million) .....	2,555.7	5,618.4	3,788.6	3,260.4
Gasoline sales (R\$ million) .....	13,913.5	25,219.2	22,724.1	19,976.7
Diesel sales (R\$ million) .....	15,421.4	28,276.3	24,899.8	21,697.0
Jet fuel sales (R\$ million) .....	1,660.6	4,127.2	4,776.1	5,064.4
Other products (R\$ million) .....	251.8	502.1	595.9	593.0
Net sales (R\$ million) .....	33,803.0	63,743.2	56,784.5	50,591.5

### ***Ethanol, Sugar and Cogeneration (Raízen Energia)***

Raízen Energia is a producer of ethanol and sugar from sugarcane. Sugarcane is the most competitive and viable feedstock for these products because of its low production cost and high energy efficiency ratio relative to other energy sources, such as corn and sugar beet. Raízen Energia is also a producer of energy from sugarcane bagasse and currently has an installed energy capacity of 940 MW from its 24 mills mainly located across five clusters located in the Central-South region. Raízen Energia's production units are self-sufficient in energy consumption and 13 of its mills generate surplus electrical energy that Raízen Energia sells into the Brazilian energy grid. Furthermore, Raízen Energia's cogeneration business generates a stable cash flow stream across commodity cycles, which helps offset the volatility of its sugar and ethanol operational cash flows. Raízen Energia accounted for 10% of the crushed sugarcane of the Central-South region for the harvest year 2015/2016, according to UNICA.

The following are the four main lines of activity in which Raízen Energia is engaged:

- *Sugarcane cultivation:* Raízen Energia uses sugarcane cultivated in the states of São Paulo, Mato Grosso do Sul and Goiás. In the fiscal year ended March 31, 2016, there were approximately 860 thousand hectares of cultivated area, with the majority of the land located in the state of São Paulo. Raízen Energia invests in research and technology to maximize land management by increasing sugarcane productivity without increasing the cultivated acreage. In addition, Raízen Energia promotes biological pest control in its cane fields, a practice that makes it possible to reduce the use of chemical pesticides. Raízen Energia also stands out in the field of agricultural mechanization. In the 2015/2016 harvest year, the level of harvest mechanization at Raízen Energia reached approximately 98% from approximately 97% during the 2014/2015 harvest year. To achieve this result, Raízen Energia invests heavily in equipment and training of rural workers.
- *Ethanol production:* An environmentally friendly fuel, ethanol, or ethyl alcohol, is produced from the processing and fermentation of sugarcane. It represents a major competitive advantage for Brazil in energy production and contributes to the maintenance of a cleaner and renewable energy matrix. Raízen Energia is the largest individual producer in Brazil, according to UNICA, with an annual volume of approximately 2.1 billion liters in the fiscal year ended March 31, 2016. In the domestic market, Raízen Energia sells mainly anhydrous and hydrous ethanol fuel through Shell-branded service stations as well as other fuel distributors. Ethanol products are also sold to industries and for the production of "green plastic" which is made of biodegradable materials. Raízen Energia exports part of its production of ethanol, consisting of alcohol for industrial purposes, neutral alcohol and ethanol fuel. Its main customers are trading companies that distribute the product across the globe.
- *Sugar production:* Raízen Energia is the largest individual exporter of sugar in the international market, with an annual production of approximately 4.2 million tons of sugar in the fiscal year ended March 31, 2016. In the 2015/2016 crop-year, 78% of the sugar sold by Raízen Energia was exported. Sugar production is a principal part of Raízen Energia's business portfolio.
- *Energy production:* Raízen Energia's 24 production units are self-sufficient in energy consumption and 13 of them have long-term contracts for the sale of surplus power to the SIN. Raízen Energia has an installed potential capacity of approximately 940 MW.

Raízen Energia recorded net operating revenue of R\$11,867.1 million in the fiscal year ended March 31, 2016, R\$9,739.1 million in the fiscal year ended March 31, 2015, and R\$9,455.2 million in the fiscal year ended March 31, 2014.

Raízen Energia Highlights	For the Six-Month Period Ended September 30,	For the Fiscal Year Ended March 31,		
	2016(1)	2016	2015	2014
Crushed sugarcane (million tons) .....	48.1	62.7	57.1	61.4
Total recoverable sugar (TSR).....	128.8	127.6	133.7	130.9
Sugar volume sold (thousand tons).....	2,146	4,683	4,551	4,600
Ethanol volume sold (million liters).....	1,613	3,444	3,305	3,116
Energy sold (thousand MWh).....	1,906	2,870	2,202	2,182
Net sugar sales (R\$ million) .....	2,558.4	5,108.9	4,242.4	4,353.1
Domestic market.....	648.8	1,091.4	1,019.3	940.4
External market.....	1,909.6	4,017.5	3,223.1	3,412.7
Net ethanol sales (R\$ million) .....	2,663.1	5,867.7	4,682.0	4,464.5
Domestic market.....	1,057.6	2,969.1	2,403.9	2,379.3
External market.....	1,605.5	2,898.6	2,278.1	2,085.2
Net energy cogeneration sales (R\$ million) .....	358.0	586.1	604.0	403.8
Other products and services (R\$ million).....	211.8	304.4	210.7	233.8
Raízen Energia net operating revenue (R\$ million).....	5,791.3	11,867.1	9,739.1	9,455.2

(1) During the first quarter of every year, there is no production due to the interharvest period.

## Our Competitive Strengths

As a low-cost, large-scale producer and distributor with well-established and integrated operations in the energy and fuels sectors, Raízen is able to create and capture value in the current and upcoming market context due mainly to:

### *Leading positions in the markets 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 second largest fuel distributor, with an estimated combined 27% market share in terms of combined volume sold for the six-month period ended September 30, 2016, according to Sindicom. Additionally, we enjoy significant brand recognition by operating under the Shell brand name, which brings benefits from higher sales of value-added products (for instance, gasoline and differentiated fuels such as Shell V-Power and Shell Evolux); and
- *Sugar, Ethanol, and Cogeneration:* through Raízen Energia, the largest sugarcane processor in Brazil, we crushed 62.7 million tons and sold 4,683 thousand tons of sugar in the fiscal year ended March 31, 2016 (78% of which was sold outside of Brazil). We sold 3,444 million liters of ethanol in the same period (47% of which was sold outside of Brazil). As of March 31, 2016 we had a total installed energy capacity of 2,870 MW.

### *Strategically located assets with significant geographic synergy*

Our existing mills, sugarcane fields, fuel distribution terminals and other assets are strategically located nationwide, and are concentrated near the largest consumer markets in the country.

- *Fuel distribution:* Raízen Combustíveis' distribution assets consist of 67 terminals which are either operated by us or by third parties. Our terminals are strategically located mainly in the Southeast and South regions of Brazil near major fuel markets and fuel distribution infrastructure; and

- *Sugar, Ethanol and Cogeneration:* of our 24 mills, 22 are located in the state of São Paulo where they operate in clusters due to their proximity to each other. The state of São Paulo is one of the world's most productive sugarcane regions, primarily because of its favorable soil, topography and climate, and nearby research and development organizations and infrastructure facilities. The average distance from the fields where Raízen's sugarcane is harvested to our mills is approximately 30 kilometers (approximately 19 miles). The proximity of our milling facilities to the land on which Raízen's sugarcane is cultivated reduces our transportation costs and enables us to process sugarcane within 48 hours of harvesting, thereby maximizing sucrose recovery.

***Synergies from an integrated supply and logistics platform***

We are a vertically integrated energy company, active in every phase of activity from cane production to fuels distribution. 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 a variety of channels, including our affiliates in Brazil and abroad, through our distribution subsidiaries Raízen Trading LLP and Raízen International Universal Corporation. We generate significant synergies from this integration. As the world's largest processor of sugarcane and the second largest fuel distributor in Brazil, we benefit from our visibility on sugar and ethanol supply and demand dynamics, which allows us to better manage our decisions with respect to our sugar versus ethanol production mix, our inventory levels and our commercial strategy, being able to capture potential margin gains from fluctuations in ethanol prices during harvest periods.

***Balanced risk 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, hedging positions, margin calls (cash at risk), counterparty risk and stress scenarios.

Raízen Energia's sugar and ethanol operations benefit from high and more volatile margins, while Raízen Combustíveis' large-scale downstream fuels distribution business benefits from consistent performance and stable cash flows.

Our diversified businesses coupled with our strong balance sheet and large scale, generate a unique and balanced risk profile among Brazilian companies.

***Strong shareholder commitment***

Raízen is a valuable asset for its shareholders. As a result of its brand licensing agreement with Shell, Raízen has grown to become the second largest downstream business for Shell globally and is a key vehicle for Shell's growth in the renewable energy sector. Raízen is a key asset in Cosan's portfolio and benefits from Cosan's expertise in the sugar and ethanol (S&E) business. Shareholder commitment is demonstrated by their stand-by committed line of credit of U.S.\$700 million.

***Experienced and professional management team with a culture of meritocracy***

We have a strong and complementary management team with extensive experience in the sugar and ethanol businesses as well as in the fuel distribution business. Unlike many of our domestic competitors in the sugar and ethanol industries, we have completed the evolution from a family-operated business to a company managed by professionals with significant experience in the energy and infrastructure industries. In addition, following the conclusion of the Raízen joint venture between Cosan and Shell, key executive officers from both shareholders' management teams have joined our management team and successfully implemented a culture of meritocracy. For more information, see "Management."

### ***Strong balance sheet and credit profile***

Since its inception, we have adopted a financial policy designed to promote a credit profile commensurate with an investment grade rating. As such, we currently adhere to the following key principles:

- a focus on financing recurring/operational capital expenditure from operational cash flows, with a cushion for adverse scenarios; and
- dividend payments established on an annual basis taking into consideration (i) cash generated throughout the period, (ii) our growth plan, (iii) access to financing; and (iv) maintenance of a credit profile commensurate with an investment grade rating.

We maintain a highly manageable debt amortization profile and benefit from adequate liquidity given our cash reserves of R\$5.1 billion (as of September 30, 2016), composed of cash and cash equivalents, cash investments linked to financing and Brazilian treasury bonds (CTN related to PESA). In addition, Raízen's liquidity is also reinforced by our existing bank revolving credit facility of U.S.\$285 million and our shareholders' committed line of credit of U.S.\$700 million.

### **Our Strategy**

The principal components of the strategies of each of our business segments are:

#### ***Fuel Distribution (Raízen Combustíveis)***

- *Continue retail growth through selective dealer conversion.* We plan to continue investing in the conversion of non-branded stations to the Shell brand;
- *Continue to maximize operating efficiencies.* We will continue to focus on improving the efficiency of Raízen Combustíveis' operations in the fuel distribution business by focusing on the following key areas: (1) strategic positioning of infrastructure to optimize supply and logistical efficiency; and (2) maximizing the utilization of retail stations to keep the highest throughput per station in the market. We continuously monitor the profitability and usage of each service station in our retail network and eliminate underperforming sites, particularly in regions we consider less strategic; and
- *Non-Fuels.* Raízen Combustíveis intends to improve its non-fuels business by exploring opportunities to maximize its convenience store business and payment solutions.

#### ***Sugar, Ethanol and Cogeneration (Raízen Energia)***

- *Seek further productivity improvements and cost efficiency.* We are enhancing Raízen Energia's 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 controls 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, but it remains highly fragmented. We closely monitor opportunities in the sector and will consider selective acquisitions and/or partnerships that offer the right strategic fit for our operations.
- *Explore the cogeneration potential of Raízen Energia's mills.* Raízen Energia currently has an installed energy capacity of approximately 940 MW per year from 24 mills, 13 of which sell surplus energy to the grid and on the spot market. Our cogeneration business creates a stable cash flow stream across commodity cycles, thereby offsetting the volatility of our more cyclical cash flows and operations. We intend to expand our cogeneration surplus by maximizing the recovery of straw from the fields and by buying biomass from third parties during the sugarcane offseason.

- *Participate in the development of second generation technologies for ethanol.* Raízen Energia is implementing second generation ethanol technology. This technology makes it possible to produce ethanol from sugarcane by-products (cereal straw, sugarcane bagasse, forest residues), waste, and dedicated feedstocks. We expect that this second generation technology will increase our annual biofuel production without the need for an increase in crop growing acreage, and will result in enhanced yields from improved yeast in our ethanol operations.
- *Take advantage of future ethanol export opportunities.* Raízen Energia expects to benefit from growth in global ethanol exports resulting from the anticipated lowering of trade barriers that have traditionally limited our access to certain major markets, as well as mandatory blending requirements to use ethanol as an additive to gasoline. Raízen Energia expects to do so by establishing new commercial and distribution partnerships with international industry players to expand and diversify our client base.
- *Focus on environmental and social awareness.* Raízen Energia is 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 also 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.

## **Recent Developments**

### ***Amendments to Agreements between Cosan and Shell***

In November 2016, Cosan and Shell executed amendments to certain agreements between them to remove the fixed date call options over Raízen Energia and Raízen Combustíveis shares exercisable in 2021 and 2026, and replace them with certain call and put options exercisable by Shell or Cosan upon the occurrence of certain events including, among others: (i) fundamental breaches of the obligations provided for in the agreements governing the Raízen joint venture; (ii) breach of anticorruption laws, (iii) insolvency or bankruptcy of a party, (iv) change of control, and (v) in the event of the death or disability of Cosan's current Chairman, Mr. Rubens Ometto Silveira Mello. Moreover, Cosan and Shell agreed to renew the existing lock up period for five years from the date of the execution of the amendment, following which the parties may sell their shares in each of Raízen Energia and Raízen Combustíveis subject to compliance with certain preemption rights in each other's favor. See "Principal Shareholders—Agreements between Cosan and Shell."

### ***Joint Venture with Wilmar Trading***

In October 2016, Raízen Energia and Wilmar International Limited created a new joint venture called Raízen and Wilmar Sugar Pte. Ltd., or RAW, to meet the growing global demand for Brazilian very high polarization, or VHP, sugar. RAW is a 50-50 joint venture between Raízen and Wilmar, and will combine the strengths of Brazil's largest producer of VHP sugar with the world's leading trader of the commodity. All relevant regulatory approvals for the establishment of the joint venture have been obtained. We expect that RAW will be in operation on April 1, 2017.

## **The Issuer**

Raizen Fuels Finance S.A., a public limited liability company (*société anonyme*) organized and existing under the laws of Luxembourg since January 20, 2014, having its registered office at 14, Rue Edward Steichen, L- 2540 Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B 184.033, is a wholly-owned subsidiary of Raízen Energia. See "The Issuer."

## **The Guarantors**

### *Raízen Energia S.A.*

Raízen Energia S.A. is a corporation (*sociedade anônima*) organized and existing under the laws of Brazil (Brazilian Corporation Law (Law No. 6,404 of December 15, 1976)). It was incorporated on February 2, 2007 for an indefinite period. It is registered with the Commercial Registry of São Paulo under number NIRE 35.300.339.169 and its registered office is at Avenida Juscelino Kubitschek, No. 1,327, 5th floor, room 01, Vila Nova Conceição, Zip Code 04543-011, São Paulo, SP, Brazil. Article 2 of the by-laws of Raízen Energia S.A. provides that its corporate purpose includes, among other things, (i) the manufacture, distribution and sale of sugarcane; (ii) the manufacture of sugarcane ethanol subproducts, and (iii) the development and licensing of technology related to the manufacture of sugar and ethanol.

### *Raízen Combustíveis S.A.*

Raízen Combustíveis S.A. is a corporation (*sociedade anônima*) organized and existing under the laws of Brazil (Brazilian Corporation Law (Law No. 6,404 of December 15, 1976)). It was incorporated on July 4, 2011 for an indefinite period. It is registered with the Commercial Registry of Rio de Janeiro under number NIRE 33.300.298.673 and its registered office is at Rua Victor Civita, No. 77, block 1, Condomínio Rio Office Park (ROP), Jacarépagua, Zip Code 22775-044, Rio de Janeiro, RJ, Brazil. Article 2 of the by-laws of Raízen Combustíveis S.A. provides that its corporate purpose includes, among other things, (i) the distribution and sale of ethanol and petroleum, fuels and other fluid hydrocarbons and their subproducts, as well as items required for such activities, such as motors, tires, batteries, etc.; (ii) the commercialization of natural gas; (iii) convenience stores; (iv) credit card administration; and (v) development and licensing of technology in global scale related to the manufacture of sugar and ethanol.

## 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 combined consolidated financial statements. Certain defined terms used in this summary are defined under “Description of the Notes—Certain Definitions.”*

Issuer .....	Raízen Fuels Finance S.A., a public limited liability company ( <i>société anonyme</i> ), organized and existing under the laws of Luxembourg, having its registered office at 14, rue Edward Steichen, L-2540, Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 184.033.
Guarantors .....	Raízen Combustíveis S.A. and Raízen Energia S.A., or the Guarantors, will unconditionally and irrevocably guarantee, on an unsecured basis, all of Issuer’s obligations pursuant to the notes and the indenture under which they are issued.
Initial Purchasers .....	Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Santander Investment Securities Inc. and Banco Bradesco BBI S.A.
Notes Offered .....	U.S.\$500,000,000 aggregate principal amount of 5.300% notes due 2027.
Issue Price.....	100.000%.
Issue Date .....	January 20, 2017.
Maturity Date.....	January 20, 2027.
Interest .....	The notes bear interest from January 20, 2017 at the annual rate of 5.300%, payable semi-annually in arrears on each interest payment date.
Interest Payment Dates .....	January 20 and July 20 of each year, commencing on July 20, 2017.
Ranking .....	The notes will be the Issuer’s unsecured obligations and will rank equally in right of payment with the existing and future senior unsecured indebtedness of the Issuer (except those obligations preferred by operation of law, including labor and tax claims under Brazilian law) and will be senior to any subordinated indebtedness of the Issuer. The notes will effectively rank junior to any and all secured debt of the Issuer to the extent of the value of the assets securing the debt.

At the issue date, the notes will be guaranteed on an unsecured basis by the Guarantors. The guarantees will

be an unsecured obligation of the Guarantors and will rank equally in right of payment with the Guarantors' other unsecured indebtedness and guarantees. The guarantee obligations in respect of the notes will be effectively subordinated to the Guarantors' secured indebtedness and to the liabilities of the Guarantors' respective subsidiaries. Under Brazilian law, holders of the notes will not have any claim whatsoever against our non-guarantor subsidiaries.

None of the subsidiaries of the Guarantors will guarantee the notes. The notes and the guarantees will be effectively subordinated to claims of creditors (including trade creditors and preferred stockholders, if any) and structurally subordinated to all existing and future indebtedness of the subsidiaries (other than the Issuer) of the Guarantors.

Tax Redemption ..... The notes may, at the option of the Issuer, be redeemed, in whole but not in part, at 100% of their principal amount plus accrued interest on or after or at any time upon the occurrence of specified events relating to taxes imposed by Relevant Jurisdictions (as defined in "Description of the Notes—Payment of Additional Amounts"), as described under "Description of the Notes—Redemption for Taxation Reasons."

Additional Amounts ..... Payments of interest on the notes will be made after withholding and deduction for any taxes imposed by any Relevant Jurisdiction (as described under "Description of the Notes—Payments of Additional Amounts"). The Issuer or the Guarantors 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 been required, subject to certain exceptions set forth under "Description of the Notes—Payment of Additional Amounts."

Covenants ..... The indenture governing the notes contains covenants that, among other things, limit the ability of the Guarantors and their respective subsidiaries to:

- create certain liens; and
- consolidate, merge, transfer or lease all or substantially all of their 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 the Notes—Certain Covenants" in this offering memorandum. For a detailed description of the notes, see "Description of the Notes." See also "Risk

Factors—Risks Relating to the Notes and the Guarantees.

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 the 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 the Notes—Purchase of Notes upon Change of Control Event.”
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 the Note—Events of Default.”
Further Issuances .....	The 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 use the net proceeds from this offering to repay certain existing indebtedness. Any remaining funds will be used for general corporate purposes.
Form and Denomination; Settlement.....	<p>Any notes sold outside the United States to non-U.S. persons in reliance on Regulation S 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 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.</p> <p>The notes will be issued in book-entry form through the facilities of DTC, for the accounts of its participants, including indirectly Euroclear, as the operator of the Euroclear System, and Clearstream, 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 the Notes.”</p>
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.....	There is currently no trading market for the notes. We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to admit the notes to trading on the Euro MTF. We cannot assure you, however that the notes will remain listed on the Official

List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF. If the notes are delisted, the 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 BBB- by Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or S&P, and a rating of BBB by Fitch Ratings Inc., or Fitch. 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 S&P and Fitch by the Issuer and information obtained by S&P and Fitch 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 are governed by the laws of the State of New York. Articles 84 to 94-8 of the Luxembourg Act of 10 August 1915 on commercial companies, as amended, or the Luxembourg Companies Act, shall not apply to the notes.
Trustee, Principal Paying Agent, Registrar and Transfer Agent .....	U.S. Bank National Association.
Luxembourg Listing Agent.....	Banque Internationale à Luxembourg, S.A.
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 and an investment in the notes.

## SUMMARY COMBINED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present a summary of our combined consolidated financial and other information derived from (1) our unaudited combined consolidated interim financial information as of and for the six-month period ended September 30, 2016 (with the corresponding figures for the six-month period ended September 30, 2015), (2) our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2016 (with the corresponding figures for the fiscal year ended March 31, 2015) and (3) our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2015 (with the corresponding figures for the fiscal year ended March 31, 2014).

You should read and analyze the information below in conjunction with our combined consolidated financial statements and related notes included elsewhere in this offering memorandum, as well as the sections “Presentation of Financial and Certain Other Information,” “Selected Combined Consolidated Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The following table sets forth certain of our income statement data for each of the periods presented:

	For the Six-Month Period Ended September 30,			For the Fiscal Year Ended March 31,			
	2016(1)	2016	2015(2)	2016(1)(8)	2016(8)	2015(8)	2014(8)
	(in U.S.\$, except operating data)	(in R\$, except operating data)		(in U.S.\$, except operating data)	(in R\$, except operating data)		
	(in millions, except as otherwise indicated)						
<b>Combined Consolidated Statements of Income Data:</b>							
Net operating revenue.....	11,905.4	38,647.4	34,127.8	22,829.5	74,109.2	65,092.7	58,350.2
Cost of products sold and services provided.....	(11,001.3)	(35,712.3)	(32,156.0)	(20,890.7)	(67,815.3)	(60,487.1)	(53,851.2)
<b>Gross profit.....</b>	<b>904.2</b>	<b>2,935.1</b>	<b>1,971.8</b>	<b>1,938.8</b>	<b>6,293.8</b>	<b>4,605.6</b>	<b>4,499.0</b>
Operating income (expenses):							
Selling expenses.....	(293.2)	(951.9)	(828.4)	(559.1)	(1,814.9)	(1,675.8)	(1,652.4)
General and administrative expenses.....	(141.6)	(459.7)	(439.9)	(284.7)	(924.1)	(869.9)	(930.9)
Other operating revenue, net.....	156.3	507.3	180.2	122.8	398.5	470.2	521.0
Equity accounting results.....	(7.9)	(25.6)	(19.6)	(20.3)	(65.9)	(20.2)	(24.4)
<b>Total net operating expenses.....</b>	<b>(286.5)</b>	<b>(929.9)</b>	<b>(1,107.7)</b>	<b>(741.3)</b>	<b>(2,406.4)</b>	<b>(2,095.8)</b>	<b>(2,086.7)</b>
Income before financial income (loss) and taxes.....	617.7	2,005.2	864.1	1,197.6	3,887.5	2,509.9	2,412.3
Financial results:							
Financial expenses.....	(167.9)	(545.0)	(222.4)	(298.5)	(968.9)	(718.0)	(527.7)
Financial income.....	124.9	405.3	326.3	225.4	731.8	492.4	317.6
Net exchange variation.....	103.5	336.1	(853.3)	(115.2)	(374.0)	(1,319.7)	(440.6)
Net effect of the derivatives.....	(76.5)	(248.4)	172.7	52.8	171.4	720.1	(20.8)
<b>Total financial results.....</b>	<b>(16.0)</b>	<b>(52.0)</b>	<b>(576.7)</b>	<b>(135.4)</b>	<b>(439.6)</b>	<b>(825.2)</b>	<b>(671.5)</b>
Income before income and social contribution taxes.....	601.7	1,953.1	287.4	1,062.1	3,447.8	1,684.7	1,740.8
Income and social contribution taxes:							
Current.....	(97.4)	(316.3)	(162.6)	(202.9)	(658.5)	(384.4)	(404.9)
Deferred.....	(73.3)	(238.1)	149.9	(126.7)	(411.4)	51.3	(107.5)
<b>Total income and social contribution taxes.....</b>	<b>(170.8)</b>	<b>(554.4)</b>	<b>(12.7)</b>	<b>(329.6)</b>	<b>(1,069.9)</b>	<b>(333.1)</b>	<b>(512.4)</b>
<b>Net income.....</b>	<b>430.9</b>	<b>1,398.7</b>	<b>274.7</b>	<b>732.5</b>	<b>2,378.0</b>	<b>1,351.6</b>	<b>1,228.4</b>
Attributable to:							
Controlling shareholders.....	423.2	1,373.7	261.5	721.4	2,341.8	1,313.3	1,204.4
Non-controlling shareholders.....	7.7	25.0	13.2	11.2	36.2	38.3	24.0
	<b>430.9</b>	<b>1,398.7</b>	<b>274.7</b>	<b>732.5</b>	<b>2,378.0</b>	<b>1,351.6</b>	<b>1,228.4</b>

	For the Six-Month Period Ended September 30,			For the Fiscal Year Ended March 31,			
	2016(1)	2016	2015(2)	2016(1)(8)	2016(8)	2015(8)	2014(8)
	(in U.S.\$, except operating data)	(in R\$, except operating data)		(in U.S.\$, except operating data)	(in R\$, except operating data)		
	(in millions, except as otherwise indicated)						
<b>Combined Consolidated Other Financial Data:</b>							
Depreciation and amortization .....	367.5	1,193.1	1,019.8	742.4	2,410.1	2,381.2	2,151.6
EBITDA(3) .....	985.2	3,198.2	1,883.9	1,940.0	6,297.6	4,891.0	4,563.9
Net Debt (4) .....	2,381.4	7,730.6	8,715.2	2,177.2	7,067.7	6,861.8	5,547.7
Net Debt to EBITDA Ratio (5) .....	241.7%	241.7%	462.6%	112.2%	112.2%	140.3%	121.6%
Working capital (6) .....	2,213.9	7,186.6	5,989.2	1,488.8	4,832.7	4,675.8	2,184.2
Net cash generated by (used in):							
Operating activities .....	469.3	1,523.3	171.4	1,496.0	4,856.2	5,072.6	3,912.1
Investing activities .....	(185.2)	(601.1)	(835.5)	(713.2)	(2,315.1)	(2,975.6)	(3,027.6)
Financing activities .....	(283.4)	(919.7)	226.0	(675.7)	(2,193.6)	(406.3)	(422.5)
Dividends and interest on own capital .....	0.7	2.2	455.1	87.7	284.8	135.0	300.2
<b>Other Operating Data:</b>							
Crushed sugarcane (in million tons)(7) .....	—	48.1	43.5	—	62.7	57.1	61.4
Sugar production (in thousand tons)(7) .....	—	3,404	3,048	—	4,200	4,081	4,493
Ethanol production (in billion liters)(7) .....	—	1,583	1,482	—	2,149	2,063	2,038
Volume of fuel sold (in million liters) .....	—	13,162.3	12,851.3	—	25,569.2	25,220.2	23,722.7
Volume of sugar sold (in thousand tons) .....	—	2,146	1,913	—	4,683	4,551	4,600
Volume of ethanol sold (in million liters) .....	—	1,613	1,384	—	3,444	3,305	3,116
Energy sold (thousand MWh) .....	—	1,906	1,736	—	2,870	2,202	2,182

- (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 U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 per U.S.\$1.00. 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 and restated in our unaudited combined consolidated interim financial information as of and for the six-month period ended September 30, 2016 to give effect to the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.
- (3) We define EBITDA as our combined consolidated net income plus combined consolidated financial results, combined consolidated income and social contribution taxes and combined consolidated depreciation and amortization. The table below sets forth a reconciliation of our combined consolidated net income to EBITDA. EBITDA is a non-GAAP measure.
- (4) Net Debt, as defined by us as current and non-current borrowings, net of cash and cash equivalents, cash investments linked to financing, derivative assets or liabilities related to foreign exchange rate risk and interest rate risk and Brazilian treasury bonds (CTN related to PESA). Net Debt is a non-GAAP measure.
- (5) Net Debt to EBITDA Ratio is the ratio of: (a) the aggregate amount of Net Debt at the end of the period to (b) EBITDA for the relevant period. This ratio is presented for illustrative purposes only. Net Debt to EBITDA Ratio is a non-GAAP measure.
- (6) Working capital consists of total current assets less total current liabilities.
- (7) During the first quarter of every year, there is minimal to no production due to the interharvest period.
- (8) Our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2016 (with the corresponding figures for the fiscal year ended March 31, 2015) and our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2015 (with the corresponding figures for the fiscal year ended March 31, 2014)

have not been retrospectively adjusted to reflect the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.

	For the Six-Month Period Ended September 30,			For the Fiscal Year Ended March 31,			
	2016(a)	2016(b)	2015	2016(a)	2016(c)	2015(c)	2014(c)
	(in U.S.\$)	(in R\$)		(in U.S.\$)		(in R\$)	
<b>Reconciliation of net income to EBITDA</b>							
	(in millions, except as otherwise indicated)						
Net income.....	430.9	1,398.7	274.7	732.5	2,378.0	1,351.6	1,228.5
(+) Financial results .....	16.0	52.0	576.7	135.4	439.6	825.2	671.5
(+) Income and social contribution taxes .....	170.8	554.4	12.7	329.6	1,069.9	333.1	512.4
(+) Depreciation and amortization .....	367.5	1,193.1	1,019.8	742.4	2,410.1	2,381.2	2,151.6
<b>EBITDA .....</b>	<b>985.2</b>	<b>3,198.2</b>	<b>1,883.9</b>	<b>1,940.0</b>	<b>6,297.6</b>	<b>4,891.0</b>	<b>4,563.9</b>

- (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 U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 per U.S.\$1.00. 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 and restated in our unaudited combined consolidated interim financial information as of and for the six-month period ended September 30, 2016 to give effect to the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.
- (c) Our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2016 (with the corresponding figures for the fiscal year ended March 31, 2015) and our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2015 (with the corresponding figures for the fiscal year ended March 31, 2014) have not been retrospectively adjusted to reflect the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.

The table below provides an overview of the composition of our combined consolidated debt and cash position as of the dates indicated:

	As of September 30,		As of March 31,			
	2016(a)	2016	2016(a)(b)	2016(b)	2015(b)	2014(b)
	(in U.S.\$)	(in R\$)	(in U.S.\$)		(in R\$)	
			(in millions)			
Current loans and financing .....	529.4	1,718.7	505.1	1,639.5	1,386.6	1,925.7
Non-current loans and financing .....	3,400.7	11,039.5	3,454.3	11,213.2	10,532.0	6,523.0
Cash and cash equivalents .....	(1,333.3)	(4,328.3)	(1,347.0)	(4,372.6)	(4,028.2)	(2,337.6)
Cash investments linked to financing ....	(18.5)	(60.2)	(19.2)	(62.3)	(45.8)	(71.1)
Brazilian treasury bonds (CTN related to PESA) .....	(211.5)	(686.5)	(193.2)	(627.2)	(501.8)	(434.4)
Derivatives financial instruments, net.....	14.6	47.5	(222.7)	(722.9)	(480.9)	(57.9)
Net Debt.....	2,381.4	7,730.6	2,177.2	7,067.7	6,861.8	5,547.7

- (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 U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 per U.S.\$1.00. 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) Our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2016 (with the corresponding figures for the fiscal year ended March 31, 2015) and our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2015 (with the corresponding figures for the fiscal year ended March 31, 2014) have not been retrospectively adjusted to reflect the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.

The following table sets forth certain of our combined consolidated financial position data for each of the periods presented:

	As of September 30,		As of March 31,			
	2016(1)	2016	2016(1)(2)	2016(2)	2015(2)	2014(2)
	(in U.S.\$)	(in R\$)	(in U.S.\$)		(in R\$)	
<b>Balance Sheet Data:</b>	(in millions)					
<b>Assets</b>						
Current assets .....	4,528.7	14,701.1	3,477.8	11,289.8	9,145.7	7,165.6
Non-current assets .....	5,928.9	19,246.4	6,362.6	20,654.5	19,848.5	18,545.4
<b>Total assets</b> .....	<b>10,457.6</b>	<b>33,947.5</b>	<b>9,840.4</b>	<b>31,944.3</b>	<b>28,994.1</b>	<b>25,711.1</b>
<b>Liabilities</b>						
Current liabilities .....	2,314.9	7,514.5	1,989.1	6,457.1	4,469.9	4,981.4
Non-current liabilities .....	4,529.6	14,704.0	4,362.7	14,162.3	13,144.3	9,747.8
<b>Total liabilities</b> .....	<b>6,844.5</b>	<b>22,218.5</b>	<b>6,351.8</b>	<b>20,619.4</b>	<b>17,614.2</b>	<b>14,729.2</b>
<b>Equity</b>						
Total equity attributed to controlling shareholders	3,555.7	11,542.6	3,436.4	11,155.3	11,227.8	10,871.0
Non-controlling interests .....	57.4	186.3	52.2	169.6	152.2	110.9
<b>Total equity</b> .....	<b>3,613.1</b>	<b>11,729.0</b>	<b>3,488.6</b>	<b>11,324.9</b>	<b>11,379.9</b>	<b>10,981.9</b>
<b>Total liabilities and equity</b> .....	<b>10,457.6</b>	<b>33,947.5</b>	<b>9,840.4</b>	<b>31,944.3</b>	<b>28,994.1</b>	<b>25,711.1</b>

- (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 U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 per U.S.\$1.00. 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) Our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2016 (with the corresponding figures for the fiscal year ended March 31, 2015) and our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2015 (with the corresponding figures for the fiscal year ended March 31, 2014) have not been retrospectively adjusted to reflect the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.

## 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 other disclosures 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 and Industries in which We Operate**

***We operate in industries in which the supply, demand and the market price for our products are cyclical and are affected by a number of factors and conditions in Brazil and globally.***

The ethanol and sugar industries, globally and in Brazil, have historically been cyclical and sensitive to domestic and international changes in supply and demand. Our sugar production depends on the volume and sucrose content of the sugarcane that we cultivate or is provided to us by farmers located near our plants. Crop yields and sucrose content of the sugarcane mainly depend on weather conditions, such as rainfall and temperature, which may vary and may be influenced by global climate change.

Weather conditions have caused volatility in the ethanol and sugar sectors and, consequently, in our operational results by causing crop failures or reduced harvests. Floods, droughts and frosts, which can be influenced by global climate change, may affect the supply and prices of the agricultural commodities we sell and use in our business. Future climate conditions may reduce the quantity of sugar and sugarcane that we can obtain in a given crop or the sucrose content of the sugarcane. In addition, our production of sugar and ethanol is contingent on our ability to incur capital expenditures to renew sugarcane crops.

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. Currently, we believe we are the beginning of an expansion cycle. 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 conditions. 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 high historical volatility. 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.

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.

If we are unable to maintain sales at generally prevailing market prices for sugar and ethanol 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.

***Adverse weather conditions may reduce the volume and sucrose content of sugarcane that we can cultivate and purchase in a given harvest.***

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, may materially 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.

***Ethanol prices are directly influenced by sugar and gasoline prices, so that a decline in those prices 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 gasoline prices in local market. 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 them 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.

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

We may explore growth opportunities in the future through the acquisition or development of greenfield projects or through the expansion of our existing facilities. Any such growth is subject to factors that are beyond our control, such as the existence of opportunities that fit our profile or lack of adequate equipment or qualified workforce, as well as risks associated with due diligence, project development timelines and governmental approvals. As a result, we may not complete these 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 or the expansion of our existing facilities on satisfactory terms, or at all.

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 our current operations. Planned or future greenfield projects or expansion of existing facilities may not enhance our financial performance.

Any failure in the implementation of growth projects and/or expansion of existing facilities may have a material adverse effect on our business, financial condition and results of operations.

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

Our current total installed energy cogeneration capacity is approximately 940 MW, which is used to generate energy for our own industrial operations and to sell surplus energy to the Brazilian energy grid. The Brazilian government regulates the energy sector extensively. We may not be able to satisfy all the requirements necessary to enter into 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, in addition to lower prices, may adversely affect our results of operations from our cogeneration business.

***We are subject to the application of regulatory penalties in the event of non-compliance with the terms and conditions of their respective authorizations, including the possible revocation of such authorizations.***

Raízen Energia performs generation activities in accordance with the regulation applicable to the energy sector and with the terms and conditions of authorizations granted by the Brazilian government, through ANEEL. The duration of such authorizations varies from 30 to 35 years.

ANEEL may apply regulatory penalties to Raízen Energia in the event 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 on Raízen Energia's operations, temporary suspension from participating in public bidding procedures to obtain new permissions, authorizations and concessions, prohibition from contracting with ANEEL, and revocation of its authorizations, based upon the gravity of the infraction.

In addition, Raízen Combustíveis performs fuel distribution activities in accordance with the regulation applicable to the oil and gas sector and with the terms and conditions of the authorizations granted by the Brazilian government, through the ANP. The ANP may apply regulatory penalties to Raízen Combustíveis in the event of non-compliance with the authorizations or with the oil and 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\$5.0 million based upon the type and gravity of the infraction.

Raízen Energia and Raízen Combustíveis cannot assure that they will not be penalized by ANEEL or ANP, 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 materially adversely affect our business, results of operations and financial condition.

***We 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 the 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 counterparty 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 materially adversely affect our financial performance during periods in which commodities prices decrease.

***Raízen Energia and Raízen Combustíveis face significant competition, which may materially adversely affect our market share and profitability.***

The ethanol and sugar industries are highly competitive. Internationally, we compete with global ethanol and sugar producers. Some of our competitors are divisions of larger enterprises and might 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 include independent ethanol and sugar producers in Brazil.

We face strong competition from international producers, particularly 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 were to create 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 might 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 market in Brazil is highly competitive. Our main competitors are fuel distributors that import certain products into Brazil and/or adopt anticompetitive practices. See “Risk Factors—Anticompetitive practices in the fuel distribution market may distort market prices.” Additionally, we compete with several small domestic fuel distributors, who purchase substantially all of their fuel from Petrobras, and also with the domestic big players, such as Petrobras and Ipiranga. For example, Petrobras has 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. Such big players 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. Furthermore, we compete with producers and marketers in other industries that supply alternative forms of energy and fuel to satisfy the requirements of our industrial, commercial and retail consumers. 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.

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

We produce and sell three different types of ethanol: hydrous ethanol, 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).

Governmental authorities of several countries, including Brazil and the United States, currently require the use of anhydrous ethanol as an additive to gasoline. Since 1997, the Brazilian Sugar and Alcohol Interministerial Council (*Conselho Interministerial do Açúcar e Alcool*), or CIMA, has set the percentage of anhydrous ethanol that must be used as an additive to gasoline. According to CIMA Resolution No. 1 dated March 04, 2015, the current anhydrous ethanol percentage for regular gasoline is 27% and for additive/premium gasoline is 25%. 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. 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 adverse effect on our business, results of operations and financial condition.

***Government policies and regulations affecting the agricultural and fuel sectors and related industries could materially 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.

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 vehicular natural gas. 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. We may not be able to achieve the cost savings that we expect to achieve as a result of several factors, including increases in the price of our raw materials and other cost inputs. Given the highly competitive markets in which we operate, with prices often being defined based on global supply and demand, it is highly likely that we will not pass on material cost increases, materially adversely affecting our financial performance.

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

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. The costs to comply with existing or new laws or regulations are likely to increase the cost of production, and, as a result, our ability to operate our own mills and harvest our sugarcane crops may be materially 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 a biodiversity preservation and ecologic rehabilitation fund known as the “Legal Reserve.” For rural areas located in the state of São Paulo, 20% of the property must be preserved to comply with the Brazilian Forest Code obligations.

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, suspension, 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 any damages caused to the environment and/or 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.

***Our business is subject to seasonal trends based on the sugarcane growing cycle in the Central-South region of Brazil.***

Our business is subject to seasonality according to the sugarcane growth 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 November to cover sales between crop harvests (*i.e.*, December through April), and a degree of seasonality in our gross profit and cash flow.

Seasonality and any reduction in the volumes of sugar recovered could have a material adverse effect on our business, results of operations and financial condition.

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

Sugarcane is the principal raw material used by Raízen Energia for the production of ethanol and sugar. We generally enter into medium- and long-term supply contracts for periods varying from three and one-half to seven 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 materially adversely affect our business, results of operation and financial condition.

***We may be subject to expropriation of real estate intended for rural production.***

The real estate used by us, or by third parties with whom we maintain a partnership or lease relationship, for the cultivation of sugarcane may be unilaterally expropriated by the Brazilian government for purposes of public and social interest, and we cannot assure you that the payment of the indemnification that they may have to pay to us will be fair. Pursuant to Brazilian law, the Brazilian government may expropriate the real estate of rural producers where the sugarcane plantation is planted by necessity or public utility or social interest, partially or totally. In the event of expropriation, we cannot assure you that the price paid by the Brazilian government will be fair, equivalent to the market value, or that it will effectively and adequately compensate us for the amounts invested. Accordingly, the eventual expropriation of any real estate used by us, or by third parties with whom we maintain partnership or lease relationships, may adversely and significantly affect our financial situation and results, and may also impact our activities.

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

Social movements 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 in which we own or lease property, remedies such as police protection or eviction procedures might be 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 materially adversely affect our business, financial condition, and results of operations.

***Alternative sweeteners may negatively affect demand for our sugar products in Brazil and other countries.***

The use of alternative sweeteners, especially artificial alternative sweeteners such as aspartame, saccharine and HFCS, may adversely affect the growth of the overall demand for sugar in Brazil and abroad. 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 operating revenue and overall financial performance.

***Raízen Energia's sugar and ethanol products are sold to a small number of customers who may be able to exercise significant bargaining power concerning pricing and other sale terms and also may buy sugar and ethanol products from our competitors.***

A substantial portion of Raízen Energia's sugar and ethanol 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 and the potential for customers to purchase part of their sugar or ethanol from competitors, or for Raízen Energia to lose these customers altogether, creating a material adverse effect on its sales volumes.

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

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 materially adversely affect our business, results of operations and financial condition. 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 and our facilities and distribution networks, which would materially adversely affect our production and distribution volumes and, consequently, results of operations.***

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

***Crop 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, results of operations and financial condition 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 operating revenue and overall financial performance.

***Anticompetitive practices in the fuel 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 27% 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 by some fuel distributors has been prevalent, which allows 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 other factors. 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 adverse effect on our business, results of operations or financial condition.

***Petrobras is the primary distributor of fuel in Brazil. In the event of an interruption of supply of fuels from Petrobras, significant disruption to our fuels sales may occur.***

Petrobras is the principal supplier of fuel in Brazil and the distribution policies it sets directly affect the Brazilian energy matrix. Significant interruptions of oil-based fuel supply from Petrobras may occur in the future. Any interruption in the supply of oil-based fuels from Petrobras would immediately affect Raízen Combustíveis ability to provide oil-based fuels to its customers. If we are not able to obtain an adequate supply of oil-based fuels

from Petrobras under acceptable terms, we may seek to meet our demands through oil-based fuels purchased on the international market. The logistics infrastructure for oil-based fuel imports in Brazil is limited and is substantially all controlled by Petrobras. Any such interruption could increase our purchase costs and reduce our sales volume, consequently, adversely affecting our operating margins.

In addition, we may be adversely effected if Petrobras significantly modifies its business plan or reduces its activities related to the distribution of fuel in Brazil. In particular, the most recently published divestment plan of Petrobras suggests that Petrobras is scaling back its positions in logistics, which may result in disruption of logistics services and result in changes to distribution policies which may adversely affect the competitiveness of fuel distributors.

***The storage and transportation of fuel products are inherently hazardous activities and involve high operational risk.***

We provide storage and transportation of fuel products which involves 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 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.

***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 expand by acquiring or investing, directly or indirectly, from time to time, in businesses considered suitable by our management that are consistent with our values and that are expected to generate positive returns. We may also 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.

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 liability, could adversely affect our reputation and financial performance and reduce the benefits of the acquisition.

***Our international operations expose us to political and economic risks in other countries.***

Our international activities expose us to risks not faced by companies that operate solely in Brazil. Risks associated with our international operations include: (i) foreign exchange controls; (ii) changes in the political or economic conditions in a specific country or region, especially in emerging markets; (iii) potentially negative consequences resulting from changes to regulatory requirements; (iv) difficulties and costs associated with our observance of different laws, treaties and complex international regulations; (v) tax rates that may exceed those applicable in Brazil and other countries or gains that may be subject to withholding regimes and an increase in repatriation taxes; (vi) imposition of trade barriers; and (vii) limitations on the repatriation of undistributed profits. The realization of any of these risks may materially adversely affect our business, results of operations or financial condition.

***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 operating license, minimum standards for the discharge of effluents, management of solid waste, protection of certain areas (including Legal Reserve, indigenous areas, *quilombolas* community areas, conservation units, archeological sites and permanent preservation areas), and the need for special authorizations for the use of water, among others.

The failure to comply with such laws and regulations (including failure to obtain or maintain the relevant environmental permits) 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 regardless of fault or intentional misconduct 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.

The occurrence of environmental damage may lead to the need to make significant financial resources available for both containment and repair of these damages. In addition, the occurrence of such events may lead to a disruption in production due to intervention by government agencies. In either case, financial and image impacts may be significant. In addition, the creation of new regulations may lead to the need for greater expenses with environmental preservation.

Furthermore, extensive environmental regulation can also lead to delays in the implementation of new projects as bureaucratic procedures for obtaining environmental licenses in various government agencies may take considerable time.

***We incur substantial costs to comply with environmental and health 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 valid environmental licenses and authorizations;
- the use of water;
- the generation, storage, handling, use and transportation of hazardous materials;
- sugarcane burning;
- wildlife preservation;
- the protection of cultural and historic sites;

- 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 environmental and health permits and/or authorizations (such as installation and operation permits as well as permits for vegetation suppression) from governmental authorities for certain aspects of our operations. Failure to obtain environmental and/or health permits or comply with the conditions under which such permits are issued could subject us to criminal, administrative and/or civil liabilities. 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 environmental laws establish restrictions to obtain financing from public entities in case of breach of certain environmental protection obligations. 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 and/or health regulations and other unanticipated developments, the amount and timing of future environmental and health 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, herbicides, soil or groundwater contamination or other kinds of environmental damage.

We are party to a number of administrative and judicial proceedings for alleged failures to comply with environmental and health laws (especially relating to contaminated areas and environmental damages caused by sugarcane burning), which may result in fines, shutdowns, or other adverse effects on our operations. Actions that give rise to administrative proceedings may also lead to civil or criminal claims against us. 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 costs of complying with current and future legislation related to environmental protection, health and safety, and the contingencies arising from environmental damage and affected third parties may have a material adverse effect on our business, results of operations as well as on our financial condition.***

The judicial and administrative penalties, including criminal sanctions, imposed on those who fail to comply with environmental laws are applied irrespective of whether there exists any obligation on such persons to repair any damage caused to the environment. Furthermore, the obligation to repair environmental damage caused may be imposed upon all parties deemed to be involved in such damage, whether directly or indirectly and regardless of such parties' actual culpability. As a result, when we hire third parties to perform work for us, such as the disposal of waste or vegetation suppression, we are not exempt from liability for any environmental damage caused by these independent contractors. In addition, we can be held liable for any and all consequences arising from the exposure of people to harmful substances or other environmental damage. The costs of complying with current and future legislation related to environmental protection, health and safety, and the contingencies arising from environmental damage and affected third parties may have a material adverse effect on our business, results of operations as well as on our financial condition.

***We are exposed to credit and other counterparty risks 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 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 and distribution facilities. 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 matters (including environmental licensing processes or environmental incidents, contamination, wildlife preservation obligations and others);
- 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 could subject us to liability in judicial, administrative or other proceedings, even for disruptions caused by events outside of our control. If we are held liable for such events, results of operations and cash flow would be materially adversely affected.

***Disruption of transportation and logistics services or insufficient investment in public infrastructure could materially 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 underdeveloped. 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 a low-cost producer, such 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, including storage facilities and transportation services for our ethanol and sugar operations. 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 segments, we will need to have similar agreements in place. Also, pursuant to Brazilian law, if labor authorities deem that such third party contractors are performing activities

considered to be part of our core business, we may be exposed to fines, prohibition on the outsourcing of such activities and labor liabilities in connection with the outsourced workforce.

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

We are parties to judicial and administrative proceedings and cannot guarantee that decisions will be favorable to us and/or that cases will be dismissed. We are also subject to lawsuits in acquired companies that relate to periods prior to the acquisition of such companies. We cannot guarantee that the contractual guarantees for these proceedings (whether they exist) will be sufficient to cover all the losses resulting therefrom, especially regarding the financial capacity of the vendors to indemnify them. By means of an external and/or internal counsel analysis of our proceedings, we define their probabilities of success and make provisions where the risk of loss is probable. Nevertheless, any final decisions which are not reflected in our prior assessment may have an adverse impact on our results. Decisions contrary to our interests that eventually reach substantial amounts or prevent us from doing business as initially planned may have a material adverse effect. As of September 30, 2016, we were party to proceedings with a probable risk of loss involving an aggregate amount of R\$1,001.1 million for which provisions have been made. We are also party to proceedings for which our risk of loss was deemed possible and involves an aggregate amount of R\$11,087.9 million and for which no provision has been made.

In addition, unfavorable decisions in criminal proceedings involving members of our management may have a material adverse effect on us. Certain members of our management have been named as defendants in criminal proceedings (1) in their capacity as officers of the predecessor entity of Raízen for alleged artificial price fixing of fuel and the formation of a cartel with the purpose of establishing control over the regional market and (2) in their capacity as officers of Raízen for alleged tax evasion carried out by these entities. In the event of a final non-appealable conviction, one or more of these officers may be barred from holding executive positions within the Raízen joint venture, and depending on the development of the proceedings, our reputation in the opinion of our clients, suppliers and investors may be materially adversely affected. For additional information regarding these and other proceedings involving members of our management, please see “Management—Criminal Proceedings Involving Members of Our Management.”

Raízen Combustíveis is currently the subject of a criminal investigation, which commenced with an administrative proceeding before the Brazilian antitrust authority, or CADE, in 2009 against certain resellers and distributors. The proceeding is related to the alleged artificial price fixing of fuel and the formation of a cartel among fuel distributors and resellers in the Brazilian Federal District in order to establish regional market control. In 2010, the CADE issued an opinion that alleged the existence of cartels within the sector. In November 2015, the Brazilian federal police executed search and seizure warrants against certain resellers and fuel distributors, including Raízen Combustíveis at its distribution terminal in Brasília. Raízen Combustíveis is cooperating with Brazilian authorities in connection with the investigation, which is currently ongoing. As of the date of this offering memorandum, no individual (including gas station owners) indicted in connection with the investigation has any relationship or affiliation with Raízen Combustíveis. In the event formal criminal proceedings are instituted Raízen Combustíveis or any of its employees determined to have been involved in the misconduct may be subject to penalties, including fines or imprisonment.

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, results of operations and financial condition. If we are the subject of an unfavorable outcome in any of these legal proceedings, the amount of such unfavorable decisions will have a material adverse effect on our financial position and operating results. See also “Business—Legal and Administrative Proceedings.”

***Our inability to post judicial collateral or provide guarantees in pending legal or administrative proceedings could have a material adverse effect on our business, financial condition and results of operations.***

We may not have sufficient funds to post collateral or provide guarantees in judicial or administrative proceedings involving substantial amounts. Even if we do not post such collateral or provide guarantees, we will be liable for paying any amounts due pursuant to any unfavorable outcomes in legal proceedings. We cannot assure you that, if we cannot make such payments, our assets, including financial assets, will not be attached, or that we will be able to obtain tax good standing certificates, all of which may have a material adverse effect on our business, financial condition and results of operations.

***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 sugar and 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 sugar and ethanol also could significantly reduce demand or eliminate the need for sugar and ethanol as a fuel oxygenate. Any advances in technology which require significant capital expenditures to remain competitive or which otherwise reduce demand for sugar and ethanol will have a material adverse effect on our business and financial performance.

***Failure to comply with the licenses and permits required for our business may have a material adverse effect on us.***

We are required to obtain specific licenses and permits from governmental authorities in order to carry out certain of our operations. Raízen Combustíveis is also required to obtain specific licenses with respect to its terminals from the applicable environmental authorities, which are applied in particular to the emission, ejection and emanation of products and by-products resulting from distribution activities. The laws and regulations which govern these licenses may occasionally require us to purchase and install costly pollution-control equipment or to make operational changes to limit our impact on the environment and/or the health of our employees. Any failure to comply with the terms of such laws, regulations and licenses and permits may result in significant financial penalties, criminal sanctions, revocation of operating licenses and permits and/or the prohibition of certain of our activities.

***We may not be able to obtain or renew all licenses and permits required for our business.***

We are currently in the process of obtaining or renewing, as the case may be, certain licenses and permits (including real estate and environmental permits) required for the continuity of our activities. Our business, financial condition and results of operations may be materially and adversely affected if we are unable to obtain or renew all licenses and permits required for our business and operations.

***We operate in industry sectors that require significant financial resources that may require access to the capital markets and bank financing in significant amounts to meet our investment objectives.***

We obtain funds for our activities through loans from financial institutions, domestic and foreign lenders, and through access to the capital markets. Our ability to obtain funding to finance our growth or operate our business depends on several factors, including our level of indebtedness and market conditions. 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, sovereign defaults, political and economic developments in and affecting Brazil such as “Operação Lava Jato,” or “Operation Car Wash.” (see also “—Risks Relating to Brazil—Ongoing investigations relating to corruption and diversion of public funds that are being conducted by the Brazilian federal police may adversely affect the growth of the Brazilian economy and could have a material adverse effect on our business.”), 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 for Brazilian companies 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. Our failure to obtain the necessary resources on reasonable terms may adversely affect our investment strategy. If we decide to increase our debt levels, we may be subject to risks, including our inability to pay outstanding debt, which may adversely affect our financial condition.

In addition, in connection with any new indebtedness we incur, we may be required to meet certain covenants in our financing arrangements and may be subject to restrictions on our ability to incur new debt or make new investments. A breach of these covenants may result in a mandatory prepayment or acceleration of the maturity of our outstanding debt. In the event of a prepayment or acceleration, our assets and cash flow might not be sufficient to pay the full amount due, which would materially adversely affect our financial condition.

***The modification, suspension, cancellation or non-renewal of certain tax benefits which we have been granted could have a material adverse effect on us.***

We benefit from certain tax incentives, benefit programs and special regimes. We cannot assure you that these tax benefits will be maintained or renewed or that we will be able to obtain new tax benefits. If we lose our existing tax benefits, due to our noncompliance with future requirements or if the current tax programs and agreements from which we benefit are modified, suspended, cancelled or not renewed, we could be materially and adversely affected. Moreover, the state tax benefits relating to ICMS from which we benefit may be declared unconstitutional by the Brazilian Supreme Court if they have been granted without the approval of all the States and Federal District through the Brazilian National Council of Fiscal Policy (*Conselho Nacional de Política Fazendária*), or CONFAZ. The Brazilian Supreme Court may grant retroactive or prospective effects to the declaration of unconstitutionality. The foregoing could result in a material adverse effect on us.

***Our insurance coverage may be inadequate to cover all losses and/or liabilities that may be incurred in our 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. For example, 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. Similarly, 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. 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 may be unable to implement our growth strategy successfully.***

Our future growth and financial performance will depend, in part, on the successful implementation of our business strategy, including: (i) our ability to attract new clients or increase volume from existing clients in specific markets and locations, (ii) our capacity to finance investments (through indebtedness or otherwise) and (c) our ability to increase our operational capacity and expand our current capacity to supply to new markets. We cannot assure you that we will be able to achieve these objectives successfully or at all. Our failure to achieve any of these objectives as a result of competitive difficulties, cost or restrictions on our ability to invest may limit our ability to implement our growth strategy successfully. We may need to incur additional indebtedness in order to finance new investments to implement our growth strategy. Unfavorable economic conditions in Brazil and in the global credit markets, such as high interest rates on new loans, reduced liquidity or reduced interest of financial institutions in granting loans, may limit our access to new credit. Furthermore, failure to achieve our expected growth may have a material adverse effect on our business, financial conditions, results of operations and our ability to repay our debt obligations.

***Any failure relating to our strategic partnerships may result in additional financial or performance obligations by us, which would reduce our profitability.***

We enter into strategic partnerships, joint ventures, combinations, alliances and collaborations, including, among other things, partnerships with our customers. The success of these and other partnerships depends, in part, on the satisfactory performance of our and our partners' obligations.

If we or our partners do not satisfactorily perform such obligations, our strategic partnerships may fail to perform as expected or to deliver the agreed services. Should this occur, we may be required to make additional investments and provide additional services to guarantee the adequate performance and delivery of the agreed services, or terminate such partnerships prior to their stated maturity. The performance by us of additional obligations with respect to our strategic partnerships may result in the reduction of our profits and material losses to us.

Strategic partnerships are essential to the continuity of our operations and our growth. If we fail to maintain our existing partnerships or identify new partnerships, our business, financial condition and results of operations may be materially and adversely affected.

***We are controlled by two different shareholders.***

We are directly controlled by two different shareholders, (i) Cosan and (ii) Shell. Pursuant to our organizational documents, several issues require the approval of our board of directors, which is composed of six members appointed by our two controlling shareholders (three each). The decisions of our board of directors require the approval of the majority of the members of the board of directors. As a result, any misalignment between the interests of our controlling shareholders may lead to delays in making important decisions related to our business.

In addition, the shared control exercised by each of our shareholders on us may result in impasses and disputes between our controlling shareholders in relation to strategy, control and other important matters. Any such impasse may have a material adverse effect on us.

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

We engage in business and financial transactions with our controlling shareholders, or companies which they control or in which they have minority interests. For example, we enter into land leasing agreements with Radar Propiedades Agrícolas S.A., and also into transportation agreements with Rumo Logística Operadora Multimodal S.A. Any such transactions or agreements, even if entered into on an arm's-length basis, create the potential for, or could result in, conflicts of interests between us and entities controlled by our controlling shareholders.

***The shareholders' and certain other definitive agreements with respect to us are subject to various put and call options and termination provisions.***

Cosan and Shell have entered into certain definitive agreements with respect to the Raízen joint venture that are subject to various put and call options and termination provisions that if triggered would cause the Raízen joint venture, or Cosan's and Shell's participation in it, to terminate early. Under such agreements between Cosan and Shell relating to the Raízen joint venture, Cosan and Shell have granted each other certain call and put options in certain other limited circumstances, including, among others, (i) fundamental breaches of the obligations provided for in the agreements governing the Raízen joint venture; (ii) breach of anticorruption laws, (iii) insolvency or bankruptcy of a party, (iv) change of control, and (v) in the event of the death or disability of Cosan's Chairman. See "Principal Shareholders—Agreements between Cosan and Shell." If any of these or other similar provisions are triggered under the agreements related to our partnerships, or certain rights Cosan or Shell holds in connection therewith, could terminate prior to the scheduled expiration, which could result in a change of control of Raízen or a termination of the Raízen joint venture, and adversely affect our results of operations.

***The interests of our controlling shareholders may conflict with the interests of our noteholders.***

We have a strong relationship with Cosan and Shell who indirectly hold the entirety of our share capital. The controlling shareholders have the power to, among other things, appoint all of the members of our board of directors and determine the outcome of certain resolutions requiring approval from shareholders, including with regards to matters pertaining to related party transactions, corporate restructurings, disposal of assets, partnerships, and the timing, conditions and amounts of any future dividend payments. Our controlling shareholders may be interested in carrying out acquisitions, disposal of assets or partnerships, seek financing or enter into similar transactions that may conflict with the interests of our noteholders.

***Raw material and supply service costs are subject to wide fluctuations that could have a material adverse effect on our results of operations.***

Raw materials used in our business are subject to wide fluctuations depending on market conditions. These prices are influenced by several factors over which we have little or no control, including, but not limited to international and national economic conditions, regulations, government policies, tariff adjustments and global effects of supply and demand. We cannot ensure that our tariff adjustment will be conducted in a timely manner or be sufficient to reflect and/or offset increases in inflation, operation costs and expenses, amortization of investments and taxes. As a result, we might not be able to pass on the increase in our cost structure to our customers, which

could decrease our profit margin and result in a material adverse effect on our business, financial condition and results of operations.

***Lack of service providers for our expansion projects could adversely affect our business.***

We are engaged in a number of expansion projects within our concession area that will require a significant number of service providers, which may not be available. Consequently, if we are unable to contract the necessary services due to service industry shortages or a lack of providers with the technical ability to provide the services we require, this could have an adverse effect on our expansion projects or lead to delays in the execution of our expansion projects as new service providers go through an approval process and develop the technical qualification to commence operations. Any delay or failure to commence or continue our expansion projects within our projected timeframe or budget could have a material adverse effect on our business, financial condition and results of operations.

***We may be adversely affected if the outsourcing the mechanized sugarcane cutting becomes prohibited.***

Raízen Energia is a defendant in a Public Civil Proceeding in which the Labor Public Prosecutor's Office (*Ministério Público de Trabalho*) is seeking the prohibition of the outsourcing of mechanized sugarcane cutting and of the transshipment of sugarcane as contemplated by Raízen Energia's services agreement relating to the transshipment of chopped sugarcane.

We have appealed the second instance decision issued in June 2016, which was unfavorable to us, to the Superior Labor Court (*Tribunal Superior do Trabalho*). We may be required to recognize the existence of an employment relationship with the currently-outsourced workers and compensate them for collective damages in significant amounts, which could have a material adverse effect on business, financial condition and results of operations.

***Any mismatches between the cash outflows for the payment of litigation costs and the time of receipt of the related reimbursement by our shareholders may lead to pressures on Raízen Energia and Raízen Combustíveis' cash flows.***

Pursuant to the framework agreement which was entered into during the formation of the Raízen joint venture, we have agreed that we will reimburse our shareholders or will be reimbursed by them, as applicable, for any amounts received or paid in connection with legal proceedings, provided that the triggering events for such payments or receipts occurred before the formation of the Raízen joint venture on June 1, 2011 and provided that any such sums have actually been paid or received.

The framework agreement also provides that our controlling shareholders are required to indemnify us for any expense related to litigation (tax, labor, civil and other) that has been caused by events prior to the formation of the Raízen joint venture. See "Business—History—The Raízen Joint Venture."

Any mismatches between the cash outflows for the payment of litigation costs and the time of receipt of the related reimbursement by our shareholders, or any failure by our shareholders to reimburse us, may lead to pressures on our cash flows.

Brazilian courts, in some circumstances, have understood that a controlling shareholder, a successor entity of another corporation, an assignee company of another company's assets and other companies subject to common control to the assignor or predecessor company shall all be liable, jointly and severally, for, among other obligations, labor, social security, civil, tax or environmental obligations of the assignor, assignee or predecessor. Therefore, we may be liable for obligations of their controlling shareholders for which we have not constituted and do not intend to constitute any provisions, which may adversely affect our business, results of operations and financial condition.

***We may not achieve our expected results, projections, or fully implement our business strategy.***

This offering memorandum contains estimates and forward-looking statements that involve risks and uncertainties. The information herein is based on assumptions and estimates made by our management, such as assumptions relating to operating efficiency, installed capacity, fundamentals related to supply and demand in the markets in which they operate, performance of the Brazilian and international economy and liquidity of the financial and capital markets with respect to availability and financing conditions (including for our customers and suppliers).

Additionally, in view of the subjectivity of the judgments and the uncertainties associated with projections, our results of operations and future financial and operating indicators may vary materially from the projections included herein. Current or prospective investors may lose part or all of their investments if the estimates and assumptions are not correct and the conclusions arising therefrom do not materialize.

***We are subject to risks arising from legal proceedings based on claims related to alleged breaches of the intellectual property rights of third parties.***

We are subject to risks arising from legal proceedings based on claims related to alleged breaches of the intellectual property rights of third parties. Raízen Energia uses third-party cultivars (*i.e.*, plant varieties that have been produced through selective breeding) in part of its properties and pays royalties in order to be authorized to use these third-party cultivars. Raízen Energia also uses cultivars that belong to the public domain, and on which no royalties are therefore due to third parties, in certain of its properties. Finally, in a small part of its properties, Raízen Energia use varieties of cultivars still in the test phase and which are therefore not registered with the National Register of Cultivars (*Registro Nacional de Cultivares*) nor with the National Service of Protection of Cultivars (*Serviço Nacional de Proteção aos Cultivares*).

Raízen Energia uses third-party cultivars in part of its properties, for which it pays royalties. We may alter the way in which we produce, in whole or in part, products which third parties allege infringe their intellectual property rights and / or pay significant indemnification amounts, royalties or licensing fees in connection with the use of third parties' patents or copyrighted materials. The filing of a lawsuit or the review of a product that is in violation of third parties' intellectual property rights may adversely affect our reputation and the demand for our products. In addition, new lawsuits require the attention of our management, as well as additional costs for our defense and, in certain cases, the establishment of provisions that could affect our results.

***There may be conflicts of interest between us and the other shareholders or quotaholders of the businesses in which we have non-controlling interests.***

We hold non-controlling interest in certain companies, such as Logum Logística S.A. and CTC – Centro de Tecnologia Canavieira S.A. The agreement we enter into with other shareholders or quotaholders of the businesses in which we have non-controlling interests are at prices and on terms equivalent to transactions entered into with third-parties. To ensure the necessary independence, the bylaws of Raízen Energia and of Raízen Combustíveis require that any agreements involving shareholders (or companies of their economic groups) must be approved by their respective board of directors. Situations may arise in which the shareholders/majority partners of these companies may make decisions which are contrary to our interests. The existence of conflicting views between us and such shareholders/majority partners may also impact the management of these businesses, and thereby affect their operating results. In addition, such conflicts of interest may result in economic, financial or operating issues, as well as lead to disputes.

***Contamination of our products and other related risks could adversely affect our reputation, leading to judicial and administrative proceedings and/or resulting in the closure of our production facilities.***

Certain of our products may have adverse effects on our consumers (including certain components, raw materials, supplies used to produce our products), including as a result of product contamination or following errors in the production or distribution chain.

Contamination of any of our products may result in a need for recalls or the beginning of legal and administrative proceedings against us, which may adversely affect our reputation, our business, the operation of our production facilities, our financial condition and our operating results. Any damage to our reputation could have a material adverse effect on us.

***We are subject to developments affecting the Brazilian agribusiness sector as a whole.***

We cannot assure you that, in the future, the Brazilian agribusiness sector will (i) maintain the rate of growth and development which it has experienced in recent years, and (ii) will not suffer losses due to unfavorable climatic conditions, reduction of the prices of the agricultural commodities in the national and international markets, changes in credit policies for domestic producers, both by government agencies and private entities, that may affect our income, as well as other economic and political crises that may affect the agricultural industry in general. Any deterioration in the overall condition of the Brazilian agribusiness sector may have a material adverse effect on us.

***We depend on our information technology systems, and any failure of these systems could adversely affect our business.***

We depend on information technology systems for significant elements of our operations, including the storage of data and retrieval of critical business information. Our information technology systems are vulnerable to damage from a variety of sources, including network failures, malicious human acts, and natural disasters. Moreover, despite network security and back-up measures, some of our servers are potentially vulnerable to physical or electronic break-ins, computer viruses, and similar disruptive problems. Failures or significant disruptions to our information technology systems or those used by our third-party service providers could prevent us from conducting our general business operations. Any disruption or loss of information technology systems on which critical aspects of our operations depend could have an adverse effect on our business, results of operations, and financial condition. Further, we store highly confidential information on our information technology systems, including information related to our products. If our servers or the servers of the third party on which our data is stored are attacked by a physical or electronic break-in, computer virus or other malicious human action, our confidential information could be stolen or destroyed. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential information of our suppliers, customers, or others, whether by us or a third party, could (1) subject us to civil and criminal penalties, (2) have a negative impact on our reputation, or (3) expose us to liability to our suppliers, customers, other third parties or government authorities. Any of these developments could have an adverse impact on our business, financial condition and results of operations.

***Our performance depends on favorable labor relations with our employees and our compliance with labor laws. Any deterioration of those relations or increase in labor costs could adversely affect our business.***

All of our employees are represented by labor organizations. Our relationships with these labor organizations are governed by labor agreements or collective bargaining agreements which we negotiate with labor organizations. Upon the expiry of such agreements, we are required to renegotiate new agreements with the applicable labor organizations. As part of these renegotiations, new terms and conditions may be established. In certain cases, these agreements may not be renewed, which could lead to strikes and/or stoppages in our activities and have an adverse impact on our business, financial condition and results of operations. For more information about the labor claims and proceedings to which we are a party, see “Business—Legal and Administrative Proceedings.”

***Our governance and compliance processes may fail to prevent regulatory penalties and reputational harm.***

We are committed to conducting our businesses in a legal and ethical manner in compliance with local and international statutory requirements and standards applicable to our activities. However, our governance and compliance processes, which include the review of internal controls over financial reporting, may not prevent future breaches of legal, regulatory (including applicable anti-corruption and antitrust laws), accounting or governance requirements and standards.

Although we have implemented what we understand to be a robust compliance and anti-corruption program to detect and prevent violations of applicable anti-corruption and antitrust laws, we may be subject to breaches of our Code of Ethics and Conduct, anti-corruption policies and business conduct protocols, and to instances of fraudulent behavior, corrupt or anticompetitive practices and dishonesty by our employees, contractors or other agents. Our failure to comply with applicable laws and other standards could subject us to, among others, litigation, investigations, expenses, fines, loss of operating licenses and reputational harm.

## **Risks Relating to Brazil**

***Risks related to Brazilian economic and political conditions may negatively affect our business.***

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. The Brazilian 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. For example, on October 26, 2014, President Dilma Rousseff was re-elected following a tightly contested presidential election campaign. President Dilma Rousseff’s second term has been characterized by significant discontent among certain segments of the Brazilian population as evidenced by widespread protests. Such discontent is attributable to developments such as the worsening Brazilian economic scenario (including an increase in inflation and fuel prices as well as rising unemployment), the perception

of widespread corruption (including accusations relating to the widely reported Petrobras corruption scandal) and water shortages in certain areas of Brazil as well as the potential for severe water and electricity rationing following a decrease in rainfall and water reservoir levels throughout Brazil. President Dilma Rousseff's administration has sought to enact measures to counteract these developments, including tax increases and cost-cutting measures, certain of which have been opposed by members of the principal opposition party and President Dilma Rousseff's own ruling party, among other political parties. On May 12, 2016, the Brazilian Senate voted to begin its review of the impeachment proceedings against President Dilma Rousseff, who was suspended from office. After the legal and administrative process for the impeachment, Brazil's Senate removed president Dilma Rousseff from office on August 31, 2016 for infringing budgetary laws. Michel Temer, the former vice president, who has run Brazil since Ms. Rousseff's suspension in May, was sworn in by Senate to serve out the remainder of the presidential term until 2018. However, the resolution of the political and economic crisis in Brazil still depends on the outcome of Operation Car Wash and approval of reforms that are expected to be promoted by the new president. We cannot predict which policies the Brazilian government may adopt or change or the effect that any such policies might have on our business and on the Brazilian economy. Any such new policies or changes to current policies may have a material adverse effect on our business, results of operations and financial condition.

Our business, financial performance and results of operations may be adversely affected by changes in policy and regulations involving or affecting certain factors, such as:

- inflation;
- exchange rate movements;
- exchange rate control policies;
- interest rate fluctuations;
- liquidity available in the domestic capital, credit and financial markets;
- expansion or contraction of the Brazilian economy, as measured by rates of growth in gross domestic product, or GDP;
- ports, customs and tax authorities' strikes;
- changes in transportation market regulations;
- energy and water shortages and rationing;
- price increases of oil and other inputs;
- price instabilities;
- fiscal policies; and
- other economic, political, diplomatic and social developments in or affecting Brazil.

Instability resulting from any changes by the Brazilian government to policies or regulations that may affect these or other factors in the future may contribute to economic uncertainty in Brazil and intensify the volatility of Brazilian securities markets and securities issued abroad by Brazilian companies. The Brazilian government has the power to define the policies and actions of the Brazilian government in relation to the Brazilian economy and thereby affect the operations and financial performance of Brazilian companies. The Brazilian government may be subject to internal pressure to indent the current macroeconomic policies in order to achieve higher rates of economic growth. We cannot predict what policies will be adopted by the Brazilian government. Moreover, in the past, the Brazilian economy has been affected by the country's political events, which have also affected the confidence of investors and the public in general, thereby adversely affecting the performance of the Brazilian economy. Furthermore, any indecisiveness by the Brazilian government in implementing changes to certain policies or regulations may contribute to economic uncertainty in Brazil and heightened volatility for the Brazilian securities markets and securities issued abroad by Brazilian companies. Any of the aforementioned developments may adversely affect our business, results of operations and financial condition, as well as on the price of our notes.

***The ongoing economic and political crisis in Brazil may have a material adverse effect on our business, operations and financial condition.***

The recent economic instability in Brazil caused by the rise of inflation, a slowdown in GDP growth, and uncertainty as to whether the Brazilian government will enact the necessary economic reforms to improve Brazil's deteriorating fiscal accounts and economy have led to a decline in market confidence in the Brazilian economy and a government crisis.

We are not able to fully estimate the impact of global and Brazilian political and macroeconomic developments on our business. In addition, due to the current political instability, there exists substantial uncertainty regarding future economic policies and we cannot predict what policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or our business or financial performance. Recent economic and political instability has led to a negative perception of the Brazilian economy and higher volatility in the Brazilian securities markets, which also may adversely affect us and our securities. Any continued economic instability and political uncertainty may materially adversely affect our business.

***Ongoing investigations relating to corruption and diversion of public funds that are being conducted by the Brazilian federal police may adversely affect the growth of the Brazilian economy and could have a material adverse effect on our business.***

As part of Operation Car Wash, several Brazilian companies active in the oil and gas, energy and infrastructure industries are facing investigations by the Brazilian Federal Police, the Brazilian Federal Prosecutor's Office, the CVM and the SEC in connection with allegations of corruption and diversion of public funds. In addition, the Brazilian federal police is also investigating allegations of improper payments made by Brazilian companies to officials of the Board of Tax Appeals (*Conselho Administrativo de Recursos Fiscais*), or CARF, a tax appeals tribunal. It is alleged that the purpose of such improper payments was to induce those officials to reduce or waive certain tax-related penalties imposed by the Brazilian federal revenue authority, which were under appeal in the CARF. Raízen is not involved in these investigations.

Depending on the duration and outcome of such investigations, the companies involved may face a reduction in their revenues, downgrades from rating agencies or funding restrictions, among other negative effects. Given the significance of the companies cited in these investigations in the Brazilian economy, the investigations and their fallout have had an adverse effect on Brazil's economic growth prospects in the near to medium term. According to data from the IBGE, the Brazilian economy's GDP shrank 3.8% in 2015. Furthermore, the negative effects on such companies may also impact investments in infrastructure in Brazil, which may lead to lower economic growth in the near to medium term.

The allegations under Operation Car Wash along with the economic downturn resulted in Brazil being downgraded to non-investment grade status by S&P in September 2015, by Fitch Ratings in December 2015, and by Moody's in February 2016, as well as in the downgrade of various major Brazilian companies. Such downgrades have further worsened the conditions of the Brazilian economy and the condition of Brazilian companies, especially those relying on foreign investments.

Such investigations have recently extended to persons in high positions in the executive and legislative branches of the Brazilian government, which has caused considerable political instability. It is difficult to predict the effects of such political instability. Persistent economic hardship in Brazil resulting from, among other factors, such investigations, the developments arising therefrom and a scenario of high political instability may have a material adverse effect on us.

Persistently poor economic conditions in Brazil resulting from, among other factors, such investigations and their fallout could have a material adverse effect on us (even though we are not involved in these investigations).

***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.***

Brazil has experienced extremely high rates of inflation in the past and has therefore implemented monetary policies that have resulted in one of the highest interest rates in the world. According to the IGP-M, a general price inflation index published by FGV, the inflation rates in Brazil were, 5.1% in 2011, 7.8% in 2012, 5.5% in 2013, 3.7% in 2014 and 10.5% in 2015. In addition, according to the National Extended Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), or IPCA, published by the IBGE, the Brazilian price inflation rates were 6.5% in 2011, 5.8% in 2012, 5.9% in 2013 and 6.4% in 2014. Despite the Central Bank's repeated increases of interest rates during the period from 2013 to 2015, the IPCA has continued to increase, reaching 10.7% in 2015 (the highest level recorded since 2003). The accumulated IPCA rate was 8.5% for the twelve-month period ending September 30, 2016.

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. The Brazilian government's measures to fight inflation, principally through the Central Bank, have had and may in the future have significant effects on the Brazilian economy and our business.

Brazil may experience high levels of inflation in future periods. If Brazil experiences high inflation rates, the Brazilian federal government may decide to intervene in the economy, including through the implementation of governmental policies that may have an adverse effect on us and our clients. In addition, if Brazil experiences high inflation rates, we may not be able to adjust the prices of our products in order to compensate for the effects of inflation in our costs structure, which may have an adverse effect on us. We also have operational lease agreements with adjustment directly linked to inflation which could be materially and adversely affected if the Brazilian federal government is unable to contain the rise inflation rates.

***Significant volatility in the value of the real in relation to the U.S. dollar and other currencies could adversely affect the Brazilian economy.***

Due to inflationary pressures and adjustments to economic policy, the Brazilian currency has historically shown volatility against the U.S. dollar and other foreign currencies. 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, fluctuation band 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. For example, the Brazilian *real* depreciated 19.7% and 53.2% against the U.S. dollar in 2001 and 2002, respectively and appreciated 18.0%, 8.0%, 12.3%, 8.5% and 17.0% against the U.S. dollar in 2003, 2004, 2005, 2006 and 2007, respectively. In 2008, the *real* depreciated again approximately 31.9% against the U.S. dollar. In 2009, the *real* appreciated 25.3% against the U.S. dollar, while in December 31, 2010 the *real* to U.S. dollar exchange rate was R\$1.6662, according to the Central Bank. In 2011, the *real* depreciated by 13.6% against the U.S. dollar, from R\$1.6510 per U.S.\$1.00 in the beginning of the period to R\$1.8758 per U.S.\$1.00 by the end of the period, and in 2012 the *real* went from R\$1.8683 per U.S.\$1.00 in the beginning of the year to R\$2.0435 per U.S.\$1.00 by the end of the period, amounting to a 9.4% depreciation against the U.S. dollar. In 2013, the *real* went from R\$2.0415 in the beginning of the year to R\$2.3426 per U.S.\$1.00 by the end of the period. In 2014, the *real* went from R\$2.3975 per U.S.\$1.00 in the beginning of the year to R\$2.6562 per U.S.\$1.00 by the end of the period, corresponding to a 10.8% depreciation against the U.S. dollar.

However, during 2015, due to the poor economic conditions in Brazil, including as a result of political instability, the *real* has devalued at a rate that is much higher than in previous years. On September 24, 2015, the *real* fell to the lowest level since the introduction of the currency, at R\$4.195 per U.S.\$1.00. In 2015, the *real* depreciated 45%, reaching R\$3.905 per U.S.\$1.00 on December 31, 2015. Conversely, in 2016, the *real* went from R\$4.039 per U.S.\$1.00 at the beginning of the year to R\$3.2462 per U.S.\$1.00 as of September 30, 2016, corresponding to a 19.6% appreciation against the U.S. dollar. There can be no assurance that the *real* will not depreciate or appreciate further against the U.S. dollar.

Depreciation of the *real* relative to the U.S. dollar could result in additional inflationary pressures in Brazil, thereby leading to an increase in interest rates, limiting our access to foreign financial markets and weakening investor confidence in Brazil and reducing the market price of our notes, and requiring the implementation of recessionary policies by the Brazilian federal government. On the other hand, the 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 the country's exports. Any of these events may damage the Brazilian economy as a whole.

A significant portion of the sales of sugar of Raízen Energia are conducted in U.S. dollars. Therefore, a depreciation of the *real* against the U.S. dollar would have the effect of increasing our sales in Raízen Energia. An appreciation of the *real* against the U.S. dollar would have the opposite effect. Further, we are also exposed to foreign exchange risk from our U.S. dollar- and euro-denominated loans and financings and derivative financial instruments for hedging such loans and financings in foreign currency. See "Management's Discussion and Analysis of Financial Condition and Results of Operations— Principal Factors Affecting Our Results of Operations— Currency Fluctuations" and "—Quantitative and Qualitative Disclosures about Market Risk."

***High interest rates may adversely affect our operations and financial condition.***

The Brazilian government's measures to control inflation have frequently included maintaining a restrictive monetary policy with high interest rates, thereby limiting the availability of credit and reducing economic growth. As a consequence, official interest rates in Brazil as of September 30, 2016 and December 31, 2015, 2014 and 2013 were 14.25%, 14.25%, 11.75% and 10.00% per year, respectively, as established by the monetary policy committee (*Comitê de Políticas Monetárias*) of the Central Bank. Brazilian interest rates have remained high and any increase of such interest rates may negatively affect our profits and results of operations, thereby increasing the costs of financing our operations.

High interest rates may impact our cost of obtaining loans and also the cost of indebtedness, resulting in an increase in our financial expenses. This increase may adversely affect our ability to pay our financial obligations, as it reduces our cash availability. Mismatches between contracted indexes for assets versus liabilities and/or high volatilities in interest rates may result in financial losses for us.

Our interest rate risk refers to the impact of an increase in certain interest rate indexes used in certain of our loans and financings may have in the cost of our indexed indebtedness and, consequently, on our financial results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk."

***Infrastructure and workforce deficiency in Brazil may impact economic growth and have a material adverse effect on us.***

Our performance depends on the overall health and growth of the Brazilian economy. Brazilian GDP growth has fluctuated over the past few years, with growth of 1.9% in 2012, improving to 3.0% in 2013 but decreasing to 0.5% in 2014 and then to a contraction of 3.8% in 2015. Continued growth is limited by inadequate infrastructure, including potential energy shortages and deficient transportation, logistics and telecommunication sectors, the lack of a qualified labor force, and the lack of private and public investments in these areas, which limit productivity as well as efficiency. Any of these factors could lead to labor market volatility and generally impact income, purchasing power and consumption levels, which could limit growth or result in contraction and ultimately have a material adverse effect on our business.

Furthermore, deficiencies in the road, rail or waterway network of the areas in which we operate, such as unpaved or maintenance-free roads, lack of railroads, especially in regions farthest from the port, cause high logistics costs and, consequently, loss of profitability of sugarcane. Likewise, failure or malpractice in transportation handling, whether on trains, trucks or vessels, may lead to loss of production, waste of quantities or damage to

sugarcane. Constant climate change, such as excessive rainfall, has led to a worsening of the road's conservation status, which may lead to an increase in over-production losses. The aforementioned infrastructure deficiencies may make it more difficult for us to conduct our business in the areas in which we operate and thereby adversely affect us.

***Developments and the perception of risk in other countries may adversely affect the Brazilian economy and market price of Brazilian issuers' securities.***

The market value of securities of Brazilian issuers is affected by economic and market conditions in other countries, including the United States, European countries, as well as in other Latin American and emerging market countries. Although economic conditions in Europe and the United States may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Additionally, crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including our securities, as well as adversely affect the availability of credit to Brazilian companies in the foreign market, with the significant outflow of resources from the country and decrease in the amount of foreign currency invested in the country. In addition, negative events in the Brazilian financial and capital markets, any news or evidence of corruption in publicly traded companies and other issuers of securities, and the lack of rigorous application of investor protection rules or lack of transparency of information or eventual crisis situations in the Brazilian economy and in other economies may influence the Brazilian capital markets and negatively impact the securities issued in Brazil. This could adversely affect the market price of our securities, restrict our access to capital markets and compromise our ability to finance our operations in the future on favorable terms, or at all.

In 2013, 2014 and 2015, there was an increase in volatility in all Brazilian markets due to, among other factors, uncertainties about how monetary policy adjustments in the United States would affect the international financial markets, the increasing risk aversion to emerging market countries, and the uncertainties regarding Brazilian macroeconomic and political conditions. These uncertainties adversely affected us and the market value of our securities. In addition, we continue to be exposed to disruptions and volatility in the global financial markets because of their effects on the financial and economic environment, particularly in Brazil, such as a slowdown in the economy, an increase in the unemployment rate, a decrease in the purchasing power of consumers and the lack of credit availability.

Disruption or volatility in the global financial markets could further increase negative effects on the financial and economic environment in Brazil, which could have a material adverse effect on our business, results of operations and financial condition.

In a referendum held in the United Kingdom on June 23, 2016, a majority of those voting voted for the United Kingdom to leave the European Union (referred to as Brexit). Brexit could impair our ability to transact business in the United Kingdom and in countries in the European Union. Brexit has already and could continue to adversely affect European and/or worldwide economic and market conditions and could continue to contribute to instability in the global financial markets. The long-term effects of Brexit will depend in part on any agreements the United Kingdom makes to retain access to markets in the European Union following the United Kingdom's withdrawal from the European Union. In addition, we expect that Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replicate or replace. If the United Kingdom were to significantly alter its regulations affecting the food industry, we could face significant new costs. It may also be time-consuming and expensive for us to alter our internal operations in order to comply with new regulations. Any of the effects of Brexit could adversely affect our business, business opportunities, results of operations, financial condition and cash flows.

***Events in other countries may have a negative impact on the Brazilian economy.***

Global economic conditions may affect the Brazilian economy as well as the demand for our products. For example, a global recession may lead to a reduction in global demand for our products, either through lower consumption or via measures to protect local production. In both cases the consequence would be to reduce prices for our products in the foreign market, affecting our financial performance. Notwithstanding, as a portion of our net operating revenues, generated from export activities, is normally billed in U.S. dollars and, at the same time, most of our costs are denominated in *reals*, our operating margins may be adversely affected when the *real* appreciates

against the U.S. dollar. In addition, we have indebtedness at pre and post fixed rates and, therefore, we are exposed to the risk of interest rate variations. If there is an increase in interest rates, our financial results may be affected.

***A reduction in the volume of foreign investments in Brazil may have a negative impact on us.***

Any reduction in the volume of foreign investments in Brazil may have an impact on the balance of payments, which may force the Brazilian government to have a greater need to raise funds, both in the domestic and in the international markets, at higher interest rates. Likewise, any significant increase in Brazilian inflation rates and the current slowdowns of the European and American economies may have a negative impact on the Brazilian economy and affect interest rate levels, raising expenses on loans already obtained and costs of new funding from resources by Brazilian companies, including us.

***Future governmental policy and regulations may adversely affect our operations and profitability.***

Our activities may be materially affected by policies and regulations from Brazilian and foreign federal, state and municipal government. Governmental policies affecting economic activity such as tariffs, taxes, and subsidies may influence the profitability of the industries in which we operate.

Future Brazilian and foreign governmental policies may adversely affect the supply, demand and prices of our products and services or otherwise restrict our capacity to operate in our current or prospective markets, potentially affecting our financial performance.

***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 us, our subsidiaries and jointly controlled entities and its customers. These changes include modifications in the rate of assessments and, on occasion, enactment of new or temporary taxes, the proceeds of which are earmarked for designated governmental purposes.

In May 2014, Law 12,973, which converts into law the provisions provided for in Provisional Measure No. 627 of November 11, 2013, was enacted. Law 12,973 revokes a temporary tax regime which had been in force between 2008 and 2014, and regulates the transition between the then-applicable Brazilian accounting practices. Among other things, Law 12,973 makes certain changes to the accounting treatment of income tax, the tax basis of goodwill on acquisition of shareholdings, the fiscal treatment of mergers and acquisitions, present value adjustments in the investee, pre-operational expenses and leases.

Law 12,973 came into effect on January 1, 2014, for entities which have voluntarily adopted the measures early, and in January 1, 2015 for entities which have not opted for early compliance. We and our subsidiaries have not opted for early compliance with the provisions of Law 12,973, and, consequently, we and our subsidiaries have only been subject to the provisions of Law 12,973 since January 1, 2015.

We carried out a full analysis of the provisions of Law 12,973, and concluded that there is no material impact on our 2015 financial statements as a result of the application of such law.

***If we do not successfully comply with laws and regulations designed to prevent governmental corruption in countries in which we sell our products, we could become subject to fines, penalties or other regulatory sanctions and our sales and profitability could suffer.***

Although we have adopted anti-corruption policies and procedures which are designed to prevent compliance violations, there is a risk that our management, employees or representatives may take actions that violate applicable laws and regulations prohibiting the making of improper payments to government officials for the purpose of obtaining or keeping business or business advantages. Laws prohibiting such behavior include (but are not limited to) laws relating to the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions such as the U.S. Foreign Corrupt Practices Act or the Brazilian Federal Law No. 12,846 of August 1, 2013 (Law 12,846/2013), which has been in effect since January 29, 2014. Any such violations may have a material adverse effect on our business.

Liability pursuant to Law 12,846/2013 holds companies strictly liable for wrongdoings of management, employees and third parties that act in the company's interest or for its benefit. The infractions covered by Law

12,846/2013 include a range of acts qualified as harmful to the government, including but not limited to: (i) bribery of government officials, directly or indirectly; (ii) financing or bearing the costs for illegal acts; (iii) using a front company or individual to hide or disguise the interests or identities of illegal acts; (iv) defrauding or manipulating public auctions and contracts; and (v) interfering with investigations or inspections by governmental authorities. Under Law 12,846/2013, companies found liable for bribery or other infractions could be obligated to make public any adverse determinations resulting from such infraction and be subjected to administrative fines of up to 20% of their gross annual income for the year prior to the initiation of the administrative enforcement proceedings, excluding taxes, or fines ranging from R\$6 thousand to R\$60 million, if gross annual income cannot be estimated. Among other sanctions, Law 12,846/2013 also provides for the confiscation of illegally obtained assets, the suspension or partial prohibition of business operations, the compulsory dissolution of the entity and/or the prohibition to receive incentives, subsidies, donations or financing from the government or from government-controlled entities for up to five years. The adoption of an effective compliance program may be taken into consideration by Brazilian authorities when applying a penalty under the Law 12,846/2013.

If we, our management, employees or third parties acting on our behalf become involved in any anti-corruption or criminal investigations or proceedings in connection to our business in Brazil or in any other jurisdiction, our business could be materially adversely affected, including but not limited to our sales, profitability and reputation.

### **Risks Relating to the Notes and the Guarantees**

#### ***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 guarantees will be junior to the Issuer's and the Guarantors' secured debt obligations and effectively junior to debt obligations of non-guarantor subsidiaries.***

The notes and the guarantees will constitute the Issuer's and the Guarantors' senior unsecured obligations and will rank equal in right of payment with all of the Issuer's and the Guarantors' 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 non-guarantor subsidiaries and jointly controlled companies. In addition, under Brazilian law, the Issuer's obligations under the notes and our obligations under the guarantees 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 guarantees. In addition, payments under the guarantees are subject to the risks and limitations described under "—Payments on the notes and the guarantees will be junior to the Issuer's and the Guarantors' secured debt obligations and effectively junior to debt obligations of non-guarantor subsidiaries."

***Changes in our credit ratings may adversely affect the value of the notes.***

The credit ratings of the notes reflect certain analysis conducted by credit rating agencies and do not address all material risks relating to an investment in the notes. The ratings assigned to the notes could be lowered, suspended or withdrawn entirely by the rating agencies if, in each rating agency's judgment, circumstances warrant such action. We cannot assure you that such credit ratings will remain in effect for any given period of time. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of the notes. In addition, during the period that the guarantees are outstanding, any actual or anticipated changes or downgrades in our credit ratings, including any announcement that its ratings are under further review for a downgrade, could affect the market value of the notes.

***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, we 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 it will have such funds available.

***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.

***No assurance can be given 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 the Guarantors 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 (société anonyme) 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.”

In addition, certain creditors of the issuer may hold security rights (rights in rem) over certain financial instruments (including negotiable instruments or other financial instruments), which upon the inception of insolvency proceedings may, subject to legal reservations, have priority in enforcement when compared to the rights of unsecured creditors (including the holders of the notes). For further information with respect to security documents qualifying as financial collateral arrangements in Luxembourg, see “Insolvency Proceedings in Luxembourg.”

***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 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.

In addition, creditors of the guarantors may hold negotiable instruments or other instruments governed by local law that grant rights to attach the assets of the guarantors at the inception of judicial proceedings in the relevant jurisdiction, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the notes.

***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.”

***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 the Guarantors are organized under the laws of Brazil. Neither the Issuer nor the Guarantors have any assets in the United States. It is anticipated that some or all of the directors and executive officers of the Issuer and the Guarantors 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, the Guarantors or their respective 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 in Luxembourg.”

***The Issuer 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, the Issuer is incorporated under and subject to the Luxembourg Companies Act, 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 are also 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 and in accordance with the provisions of the Luxembourg Companies Act. A director or manager may be jointly and severally liable with other directors or managers implicated in the same breach of duty.

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

We have applied for admission of the notes to list on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF 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 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 Guarantors.***

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

- were rendered insolvent by reason of our entering into such guarantees;
- 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 the obligations of the Guarantors under their respective 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 the Guarantors, under the applicable guarantee, or such claim could be subordinated to claims of other creditors of the Guarantors, as applicable, and would solely have a claim against the Issuer. The Issuer and the Guarantors 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 the guarantees.

## **USE OF PROCEEDS**

Our gross proceeds from this offering were U.S.\$500 million.

We expect to use the net proceeds from this offering to repay certain existing indebtedness. Any remaining funds will be used for general corporate purposes.

## THE ISSUER

### *General*

Raizen Fuels Finance S.A., a public limited liability company (*société anonyme*) organized and existing under the laws of Luxembourg since January 20, 2014, having its registered office at 14, Rue Edward Steichen, L- 2540 Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B 184.033, is a wholly-owned subsidiary of Raízen Energia.

The Issuer has published unaudited financial statements as required under the Luxembourg Companies Act. The Issuer is not required under Luxembourg corporate law to produce audited financial statements and has therefore not appointed external auditors to produce audited financial statements.

The Issuer is managed by a board of directors currently consisting of five directors (*administrateurs*) (the articles of association of the Issuer require that there be at least three directors at any one time). 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 directors of the Issuer are Cyrille Vallée, Class A director, Riccardo Incani, Class A director, Fabrizio Terenziani, Class A director, Rodrigo Cesar Caldas de Sá, Class B director and Demétrio Antonio de Toledo Magalhães Filho, Class B director. The directors of the Issuer reside in Brazil, Luxembourg and Switzerland. The business addresses of the Issuer's directors is Av. Presidente Juscelino Kubitschek, 1327 – 5th floor, São Paulo, SP 04543-000, Brazil for the Class B directors and 14, Rue Edward Steichen, L-2540 Luxembourg for the Class A directors.

The share capital of the Issuer is set at U.S.\$1,157,991.00, represented by 1,157,991 shares in registered form, having a nominal value of U.S.\$1 each. The share capital of the Issuer has been fully paid up and does not comprise different classes of shares.

The board of directors of the Issuer is authorized, for a period of five years from the date of the publication of the articles of association, to:

- increase the current share capital once or more by an amount of up to U.S.\$1 million, 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 authorized 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 articles of association of the Issuer have been published in the *Mémorial C, Recueil des Sociétés et Associations* number 745 of March 22, 2014 and the amendment to its articles of association has been published in the *Recueil Electronique des Sociétés et Associations* number RESA\_2016\_060.444 on August 9, 2016. The amendment to the articles of association of the Issuer has been filed with the Luxembourg Register of Commerce and Companies on August 9, 2016.

The Issuer's corporate object and principal activity essentially consists of 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 corporate objects, see Article 3 of the Issuer's articles of association.

### *History*

The Issuer was originally incorporated in the Cayman Islands. In January 2014, the Issuer migrated to the Grand Duchy of Luxembourg. In September 2016, Raízen Energia S.A. transferred its entire equity interest in Raizen Luxembourg S.A. (formerly known as Raizen Cayman Limited) to the Issuer, following which Raízen Luxembourg S.A. was merged into the Issuer and Raízen Combustíveis S.A. transferred the entirety of its interest in the Issuer to Raízen Energia S.A. As a result, Raízen Energia S.A. became the sole shareholder in the Issuer.

## EXCHANGE RATES

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

Since 1999, the Central Bank has allowed the *real* U.S. dollar exchange rate to float freely, which resulted in increasing exchange rate volatility. Until early 2003, the *real* declined against the U.S. dollar. Between 2006 and 2008, the *real* strengthened against the U.S. dollar, except in the most severe periods of the global economic crisis. Given the recent turmoil in international markets and the current Brazilian macroeconomic outlook, the *real* depreciated against the U.S. dollar from mid-2011 to early 2016. In particular, during 2015, due to the poor economic conditions in Brazil, including as a result of political instability, the *real* has devalued at a rate that is much higher than in previous years. On September 24, 2015, the *real* fell to the lowest level since the introduction of the currency, at R\$4.195 per U.S.\$1.00. Overall in 2015, the *real* depreciated 47%, reaching R\$3.901 per U.S.\$1.00 on December 31, 2015. In early 2016, the *real* has been facing continuing fluctuations, primarily as a result of Brazil's political instability, and has appreciated against the U.S. dollar since March 2016. On September 30, 2016, the exchange rate was R\$3.2462 per U.S.\$1.00. There can be no assurance that the *real* will not depreciate or appreciate further against the U.S. dollar. The Central Bank has intervened in the foreign exchange market to control unstable movements of exchange rates. The *real* may fluctuate against the U.S. dollar substantially in the future.

The Central Bank has intervened occasionally to attempt to control 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 by re-implementing a currency band system or otherwise. The *real* may depreciate or appreciate substantially against the U.S. dollar in the future. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future.

The following tables set forth the selling rate, expressed in *reais* per U.S. dollar (R\$/ U.S.\$), for the periods indicated, as reported by the Central Bank:

<b>Year Ended March 31,</b>	<b>Period-end</b>	<b>Average(1)</b>	<b>Low</b>	<b>High</b>
2012 .....	1.822	1.700	1.535	1.902
2013 .....	2.014	2.012	1.826	2.112
2014 .....	2.263	2.248	1.974	2.446
2015 .....	3.208	2.476	2.197	3.268
2016 .....	3.559	3.590	2.894	4.195
<b>Month</b>	<b>Period-end</b>	<b>Average(2)</b>	<b>Low</b>	<b>High</b>
July 2016 .....	3.239	3.276	3.230	3.339
August 2016.....	3.240	3.210	3.130	3.273
September 2016 .....	3.246	3.256	3.193	3.333
October 2016 .....	3.181	3.186	3.119	3.236
November 2016 .....	3.397	3.342	3.202	3.445
December 2016.....	3.259	3.356	3.259	3.465
January 2017.....	3.127	3.197	3.127	3.273
February 2017 (through February 17, 2017).....	3.095	3.111	3.051	3.148

Source: Central Bank.

- (1) Represents the average of the exchange rates on the closing of each day during the year.
- (2) Represents the average of the exchange rates on the closing of each day during the month.

## CAPITALIZATION

The following table sets forth our combined consolidated shareholders' equity and total capitalization as of September 30, 2016 and as adjusted to reflect the amount of gross proceeds from the offering.

Combined Consolidated	As of September 30, 2016			
	Actual		As Adjusted(2)	
	(in U.S.\$)(1)	(in R\$)	(in U.S.\$)(1)	(in R\$)
			(in millions)	
Non-current debt.....	3,400.7	11,039.5	3,900.7	12,662.6
Shareholders' equity .....	3,613.1	11,729.0	3,613.1	11,729.0
<b>Total capitalization(3) .....</b>	<b>7,013.8</b>	<b>22,768.5</b>	<b>7,513.8</b>	<b>24,391.6</b>

(1) We have converted the amounts included in the tables above from *reais* into U.S. dollars using the exchange rate as of September 30, 2016 of R\$3.2462 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.

(2) As adjusted to reflect gross proceeds of U.S.\$500 million (R\$1,623.1 million).

(3) Total capitalization is the sum of our non-current loans and financing plus shareholders' equity.

Other than as described above, there has been no material change in our capitalization since September 30, 2016.

You should read this table in conjunction with "Selected Combined Consolidated 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 COMBINED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present a summary of our combined consolidated financial and other information derived from (1) our unaudited combined consolidated interim financial information as of and for the six-month period ended September 30, 2016 (with the corresponding figures for the six-month period ended September 30, 2015), (2) our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2016 (with the corresponding figures for the fiscal year ended March 31, 2015) and (3) our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2015 (with the corresponding figures for the fiscal year ended March 31, 2014).

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

The following table sets forth certain of our income statement data for each of the periods presented:

	For the Six-Month Period Ended September 30,			For the Fiscal Year Ended March 31,			
	2016(1)	2016	2015(2)	2016(1)(8)	2016(8)	2015(8)	2014(8)
	(in U.S.\$, except operating data)	(in R\$, except operating data)		(in U.S.\$, except operating data)	(in R\$, except operating data)		
	(in millions, except as otherwise indicated)						
<b>Combined Consolidated</b>							
<b>Statements of Income Data:</b>							
Net operating revenue.....	11,905.4	38,647.4	34,127.8	22,829.5	74,109.2	65,092.7	58,350.2
Cost of products sold and services provided.....	(11,001.3)	(35,712.3)	(32,156.0)	(20,890.7)	(67,815.3)	(60,487.1)	(53,851.2)
<b>Gross profit.....</b>	<b>904.2</b>	<b>2,935.1</b>	<b>1,971.8</b>	<b>1,938.8</b>	<b>6,293.8</b>	<b>4,605.6</b>	<b>4,499.0</b>
Operating income (expenses):							
Selling expenses .....	(293.2)	(951.9)	(828.4)	(559.1)	(1,814.9)	(1,675.8)	(1,652.4)
General and administrative expenses .....	(141.6)	(459.7)	(439.9)	(284.7)	(924.1)	(869.9)	(930.9)
Other operating revenue, net.....	156.3	507.3	180.2	122.8	398.5	470.2	521.0
Equity accounting results .....	(7.9)	(25.6)	(19.6)	(20.3)	(65.9)	(20.2)	(24.4)
<b>Total net operating expenses .....</b>	<b>(286.5)</b>	<b>(929.9)</b>	<b>(1,107.7)</b>	<b>(741.3)</b>	<b>(2,406.4)</b>	<b>(2,095.8)</b>	<b>(2,086.7)</b>
Income before financial income (loss) and taxes .....	617.7	2,005.2	864.1	1,197.6	3,887.5	2,509.9	2,412.3
Financial results:							
Financial expenses .....	(167.9)	(545.0)	(222.4)	(298.5)	(968.9)	(718.0)	(527.7)
Financial income.....	124.9	405.3	326.3	225.4	731.8	492.4	317.6
Net exchange variation .....	103.5	336.1	(853.3)	(115.2)	(374.0)	(1,319.7)	(440.6)
Net effect of the derivatives.....	(76.5)	(248.4)	172.7	52.8	171.4	720.1	(20.8)
<b>Total financial results .....</b>	<b>(16.0)</b>	<b>(52.0)</b>	<b>(576.7)</b>	<b>(135.4)</b>	<b>(439.6)</b>	<b>(825.2)</b>	<b>(671.5)</b>
Income before income and social contribution taxes .....	601.7	1,953.1	287.4	1,062.1	3,447.8	1,684.7	1,740.8
Income and social contribution taxes:							
Current .....	(97.4)	(316.3)	(162.6)	(202.9)	(658.5)	(384.4)	(404.9)
Deferred .....	(73.3)	(238.1)	149.9	(126.7)	(411.4)	51.3	(107.5)
<b>Total income and social contribution taxes .....</b>	<b>(170.8)</b>	<b>(554.4)</b>	<b>(12.7)</b>	<b>(329.6)</b>	<b>(1,069.9)</b>	<b>(333.1)</b>	<b>(512.4)</b>
<b>Net income .....</b>	<b>430.9</b>	<b>1,398.7</b>	<b>274.7</b>	<b>732.5</b>	<b>2,378.0</b>	<b>1,351.6</b>	<b>1,228.4</b>
Attributable to:							
Controlling shareholders.....	423.2	1,373.7	261.5	721.4	2,341.8	1,313.3	1,204.4
Non-controlling shareholders .....	7.7	25.0	13.2	11.2	36.2	38.3	24.0
	<b>430.9</b>	<b>1,398.7</b>	<b>274.7</b>	<b>732.5</b>	<b>2,378.0</b>	<b>1,351.6</b>	<b>1,228.4</b>
<b>Combined Consolidated Other</b>							
<b>Financial Data:</b>							
Depreciation and amortization .....	367.5	1,193.1	1,019.8	742.4	2,410.1	2,381.2	2,151.6
EBITDA(3) .....	985.2	3,198.2	1,883.9	1,940.0	6,297.6	4,891.0	4,563.9

	For the Six-Month Period Ended September 30,			For the Fiscal Year Ended March 31,			
	2016(1)	2016	2015(2)	2016(1)(8)	2016(8)	2015(8)	2014(8)
	(in U.S.\$, except operating data)	(in R\$, except operating data)	(in millions, except as otherwise indicated)	(in U.S.\$, except operating data)	(in R\$, except operating data)		
Net Debt (4) .....	2,381.4	7,730.6	8,715.2	2,177.2	7,067.7	6,861.8	5,547.7
Net Debt to EBITDA Ratio (5) .....	241.7%	241.7%	462.6%	112.2%	112.2%	140.3%	121.6%
Working capital (6).....	2,213.9	7,186.6	5,989.2	1,488.8	4,832.7	4,675.8	2,184.2
Net cash generated by (used in):							
Operating activities .....	469.3	1,523.3	171.4	1,496.0	4,856.2	5,072.6	3,912.1
Investing activities .....	(185.2)	(601.1)	(835.5)	(713.2)	(2,315.1)	(2,975.6)	(3,027.6)
Financing activities .....	(283.4)	(919.7)	226.0	(675.7)	(2,193.6)	(406.3)	(422.5)
Dividends and interest on own capital.....	0.7	2.2	455.1	87.7	284.8	135.0	300.2
<b>Other Operating Data:</b>							
Crushed sugarcane (in million tons)(7) .....	—	48.1	43.5	—	62.7	57.1	61.4
Sugar production (in thousand tons)(7) .....	—	3,404	3,048	—	4,200	4,081	4,493
Ethanol production (in billion liters)(7) .....	—	1,583	1,482	—	2,149	2,063	2,038
Volume of fuel sold (in million liters).....	—	13,162.3	12,851.3	—	25,569.2	25,220.2	23,722.7
Volume of sugar sold (in thousand tons).....	—	2,146	1,913	—	4,683	4,551	4,600
Volume of ethanol sold (in million liters).....	—	1,613	1,384	—	3,444	3,305	3,116
Energy sold (thousand MWh) .....	—	1,906	1,736	—	2,870	2,202	2,182

- (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 U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 per U.S.\$1.00. 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 and restated in our unaudited combined consolidated interim financial information as of and for the six-month period ended September 30, 2016 to give effect to the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.
- (3) We define EBITDA as our combined consolidated net income plus combined consolidated financial results, combined consolidated income and social contribution taxes and combined consolidated depreciation and amortization. The table below sets forth a reconciliation of our combined consolidated net income to EBITDA. EBITDA is a non-GAAP measure.
- (4) Net Debt, as defined by us as current and non-current borrowings, net of cash and cash equivalents, cash investments linked to financing, derivative assets or liabilities related to foreign exchange rate risk and interest rate risk and Brazilian treasury bonds (CTN related to PESA). Net Debt is a non-GAAP measure.
- (5) Net Debt to EBITDA Ratio is the ratio of: (a) the aggregate amount of Net Debt as of the end of the period to (b) EBITDA for the relevant period. This ratio is presented for illustrative purposes only. Net Debt to EBITDA Ratio is a non-GAAP measure.
- (6) Working capital consists of total current assets less total current liabilities.
- (7) During the first quarter of every year, there is minimal to no production due to the interharvest period.
- (8) Our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2016 (with the corresponding figures for the fiscal year ended March 31, 2015) and our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2015 (with the corresponding figures for the fiscal year ended March 31, 2014) have not been retrospectively adjusted to reflect the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.

	For the Six-Month Period Ended September 30,			For the Fiscal Year Ended March 31,			
	2016(a)	2016(b)	2015	2016(a)	2016(c)	2015(c)	2014(c)
	(in U.S.\$)	(in R\$)		(in U.S.\$)		(in R\$)	
<b>Reconciliation of net income to EBITDA</b>	(in millions, except as otherwise indicated)						
Net income.....	430.9	1,398.7	274.7	732.5	2,378.0	1,351.6	1,228.5
(+) Financial results .....	16.0	52.0	576.7	135.4	439.6	825.2	671.5
(+) Income and social contribution taxes .....	170.8	554.4	12.7	329.6	1,069.9	333.1	512.4
(+) Depreciation and amortization .....	367.5	1,193.1	1,019.8	742.4	2,410.1	2,381.2	2,151.6
<b>EBITDA .....</b>	<b>985.2</b>	<b>3,198.2</b>	<b>1,883.9</b>	<b>1,940.0</b>	<b>6,297.6</b>	<b>4,891.0</b>	<b>4,563.9</b>

- (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 U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 per U.S.\$1.00. 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 and restated in our unaudited combined consolidated interim financial information as of and for the six-month period ended September 30, 2016 to give effect to the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.
- (c) Our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2016 (with the corresponding figures for the fiscal year ended March 31, 2015) and our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2015 (with the corresponding figures for the fiscal year ended March 31, 2014) have not been retrospectively adjusted to reflect the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.

The table below provides an overview of the composition of our combined consolidated debt and cash position as of the dates indicated:

	As of September 30,		As of March 31,			
	2016(a)	2016	2016(a)(b)	2016(b)	2015(b)	2014(b)
	(in U.S.\$)	(in R\$)	(in U.S.\$)		(in R\$)	
			(in millions)			
Current loans and financing .....	529.4	1,718.7	505.1	1,639.5	1,386.6	1,925.7
Non-current loans and financing .....	3,400.7	11,039.5	3,454.3	11,213.2	10,532.0	6,523.0
Cash and cash equivalents .....	(1,333.3)	(4,328.3)	(1,347.0)	(4,372.6)	(4,028.2)	(2,337.6)
Cash investments linked to financing ....	(18.5)	(60.2)	(19.2)	(62.3)	(45.8)	(71.1)
Brazilian treasury bonds (CTN related to PESA).....	(211.5)	(686.5)	(193.2)	(627.2)	(501.8)	(434.4)
Derivatives financial instruments, net....	14.6	47.5	(222.7)	(722.9)	(480.9)	(57.9)
Net Debt.....	2,381.4	7,730.6	2,177.2	7,067.7	6,861.8	5,547.7

- (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 U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 per U.S.\$1.00. 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) Our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2016 (with the corresponding figures for the fiscal year ended March 31, 2015) and our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2015 (with the corresponding figures for the fiscal year ended March 31, 2014) have not been retrospectively adjusted to reflect the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.

The following table sets forth our combined consolidated financial position data for each of the periods presented:

	As of September 30,		As of March 31,			
	2016(1)	2016	2016(1)(2)	2016(2)	2015(2)	2014(2)
	(in U.S.\$)	(in R\$)	(in U.S.\$)		(in R\$)	
<b>Balance Sheet Data:</b>			(in millions)			
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents .....	1,333.3	4,328.3	1,347.0	4,372.6	4,028.2	2,337.6
Restricted cash .....	265.9	863.1	269.4	874.6	188.6	304.6
Derivative financial instruments .....	119.6	388.4	196.6	638.1	875.2	224.5
Trade accounts receivable .....	708.5	2,299.9	541.8	1,758.8	1,605.2	1,546.8
Inventories .....	1,264.1	4,103.5	516.7	1,677.3	1,433.9	1,390.7
Biological assets	240.0	779.1	—	—	—	—
Income and social contribution taxes recoverable .....	117.6	381.9	116.5	378.2	51.2	369.5
Recoverable taxes and contributions .....	220.3	715.2	132.2	429.0	325.1	291.3
Dividends receivable .....	—	—	—	—	—	3.5
Advances to suppliers .....	55.8	181.3	64.8	210.2	214.7	212.9
Other financial assets	3.3	10.6	3.1	10.0	12.9	13.3
Related parties .....	155.5	504.8	151.4	491.3	334.7	352.5
Assets held for sale .....	—	—	74.9	243.1	—	—
Other receivables .....	44.7	145.1	63.6	206.5	75.7	118.5
<b>Total current assets .....</b>	<b>4,528.7</b>	<b>14,701.1</b>	<b>3,477.8</b>	<b>11,289.8</b>	<b>9,145.7</b>	<b>7,165.6</b>
<b>Non-current assets</b>						
Trade accounts receivable .....	87.4	283.6	94.1	305.6	298.3	229.1
Derivative financial instruments .....	99.5	323.1	184.1	597.7	315.3	1.1
Other financial assets .....	459.8	1,492.5	445.3	1,445.5	968.4	890.7
Income and social contribution taxes recoverable .....	166.0	539.0	172.8	560.9	508.4	—
Recoverable taxes and contributions .....	103.7	336.7	94.5	306.9	348.7	262.6
Related parties .....	293.6	953.0	219.8	713.6	916.1	1,310.8
Advances to suppliers .....	23.3	75.7	10.7	34.8	55.2	21.8
Deferred income and social contribution tax .....	119.6	388.3	71.8	233.0	326.2	290.7
Judicial deposits .....	96.9	314.6	90.4	293.5	276.8	365.8
Other receivables .....	26.0	84.5	26.1	84.7	54.5	43.0
Investments .....	118.9	386.1	64.8	210.4	469.6	418.0
Biological assets(2) .....	—	—	758.9	2,463.5	1,959.9	2,036.7
Property, plant and equipment .....	3,069.2	9,963.3	2,899.3	9,411.7	9,496.9	9,066.1
Intangible assets .....	1,264.9	4,106.0	1,230.0	3,992.8	3,854.4	3,609.0
<b>Total non-current assets .....</b>	<b>5,928.9</b>	<b>19,246.4</b>	<b>6,362.6</b>	<b>20,654.5</b>	<b>19,848.5</b>	<b>18,545.4</b>
<b>Total assets .....</b>	<b>10,457.6</b>	<b>33,947.5</b>	<b>9,840.4</b>	<b>31,944.3</b>	<b>28,994.1</b>	<b>25,711.1</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Loans and financing .....	529.4	1,718.7	505.1	1,639.5	1,386.6	1,925.7
Derivative financial instruments .....	192.4	624.5	178.5	579.3	244.0	166.9
Trade payables .....	641.3	2,081.7	513.2	1,666.0	1,329.6	1,414.1
Payroll and related charges payable .....	127.7	414.4	152.3	494.5	424.7	378.6
Income and social contribution taxes payable .....	6.9	22.4	36.0	116.9	21.7	4.6
Taxes payable .....	65.3	211.9	70.4	228.5	184.7	231.9

	As of September 30,		As of March 31,			
	2016(1)	2016	2016(1)(2)	2016(2)	2015(2)	2014(2)
	(in U.S.\$)	(in R\$)	(in U.S.\$)		(in R\$)	
Dividends and interest on own capital.....	0.7	2.2	87.7	284.8	135.0	300.2
Related parties .....	446.7	1,450.2	265.2	861.0	262.3	204.1
Advances from clients .....	177.8	577.0	32.6	105.9	132.1	55.5
Other liabilities .....	126.7	411.4	148.1	480.6	349.2	299.8
<b>Total current liabilities</b> .....	<b>2,314.9</b>	<b>7,514.5</b>	<b>1,989.1</b>	<b>6,457.1</b>	<b>4,469.9</b>	<b>4,981.4</b>
<b>Non-current current liabilities</b>						
Loans and financing.....	3,400.7	11,039.5	3,454.3	11,213.2	10,532.0	6,523.0
Derivative financial instruments.....	188.0	610.3	100.4	325.9	56.2	12.9
Taxes payable .....	3.5	11.4	3.5	11.4	175.1	672.2
Related parties .....	404.1	1,311.8	382.1	1,240.4	932.4	1,249.3
Provision for legal disputes .....	308.4	1,001.1	234.6	761.6	775.0	800.4
Deferred income and social contribution tax .....	124.2	403.1	71.8	233.0	275.4	38.4
Other liabilities .....	100.7	326.9	116.0	376.7	398.1	451.6
<b>Total non-current liabilities</b> .....	<b>4,529.6</b>	<b>14,704.0</b>	<b>4,362.7</b>	<b>14,162.3</b>	<b>13,144.3</b>	<b>9,747.8</b>
<b>Total liabilities</b> .....	<b>6,844.5</b>	<b>22,218.5</b>	<b>6,351.8</b>	<b>20,619.4</b>	<b>17,614.2</b>	<b>14,729.2</b>
<b>Equity</b>						
Attributed to group's controlling shareholders:						
Share capital .....	2,535.6	8,231.1	2,543.3	8,256.0	8,118.0	7,821.4
Capital reserves.....	523.1	1,698.1	515.2	1,672.3	1,812.2	1,975.6
Equity valuation adjustment .....	(243.9)	(791.8)	(164.4)	(533.6)	14.7	(10.8)
Income reserves .....	531.3	1,724.8	542.4	1,760.6	1,282.9	1,084.8
Retained earnings .....	209.6	680.4	—	—	—	—
<b>Total equity attributed to controlling shareholders</b> .....	<b>3,555.7</b>	<b>11,542.6</b>	<b>3,436.4</b>	<b>11,155.3</b>	<b>11,227.8</b>	<b>10,871.0</b>
<b>Non-controlling interests</b> .....	<b>57.4</b>	<b>186.3</b>	<b>52.2</b>	<b>169.6</b>	<b>152.2</b>	<b>110.9</b>
<b>Total equity</b> .....	<b>3,613.1</b>	<b>11,729.0</b>	<b>3,488.6</b>	<b>11,324.9</b>	<b>11,379.9</b>	<b>10,981.9</b>
<b>Total liabilities and equity</b> .....	<b>10,457.6</b>	<b>33,947.5</b>	<b>9,840.4</b>	<b>31,944.3</b>	<b>28,994.1</b>	<b>25,711.1</b>

- (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 U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 per U.S.\$1.00. 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) Our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2016 (with the corresponding figures for the fiscal year ended March 31, 2015) and our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2015 (with the corresponding figures for the fiscal year ended March 31, 2014) have not been retrospectively adjusted to reflect the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.

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

*The following discussion should be read in conjunction with our combined consolidated financial statements and our unaudited combined consolidated interim financial information and the related notes included elsewhere in this offering memorandum. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those set forth in the section entitled "Risk Factors" and elsewhere in this offering memorandum. You should read the following discussion in conjunction with "Forward-Looking Statements" and "Risk Factors."*

### **Overview of Raízen**

We are an energy company, established in June 2011 as a 50%-50% joint venture between Cosan and Shell. We are among the market leaders in the three sectors in which we operate: fuel distribution, ethanol and sugar production, and energy cogeneration. We conduct our business in a sustainable and vertically integrated manner, and participate in all stages of the value chain from planting, harvesting and processing to storage, logistics and sales of our wide range of products. Based on publicly available information, we are the eighth largest company in Brazil based on net revenues.

Some of our key competitive strengths in our business segments include (i) large-scale production and distribution, (ii) operational excellence driven by innovation and technology optimization, (iii) a highly developed logistics infrastructure, (iv) strong brand recognition, and (v) a strong credit profile.

Our strategic goals are to be a fully integrated and market leading player capable of generating sound and resilient results through our scaled business, as well as to be the efficiency benchmark in each of the sectors in which we operate.

#### ***Raízen Combustíveis***

We distribute fuels in the Brazilian market through Raízen Combustíveis. Raízen Combustíveis is the second largest Brazilian fuel distributor and is engaged in sourcing, storing, blending and distributing gasoline, ethanol, diesel, and aviation fuel through a nationwide network of 5,904 Shell-branded retail service stations (961 of which feature integrated convenience stores), 67 distribution terminals and 62 airport terminals supplying aviation fuel.

Raízen Combustíveis benefits from its strategically located assets nationwide, the majority of which are concentrated near major consumer markets, allowing capture of efficiencies associated to the higher consumption patterns and lower costs due to the available fuel distribution infrastructure.

Our strategic goal is to be the preferred choice for dealers and clients and the most efficient fuel distributor in Brazil (in terms of gallons per station). We are focused on continued retail growth through selective white pumps branding and regional acquisitions. In addition, we are also focused on the strategic positioning of our infrastructure and in the growth in our non-fuels business with the aim of improving customer experience through the use of our convenience stores, or C-Stores, innovative payment methods and the Shell Box web based platform. Through Raízen Combustíveis, we also aim to deliver the best offering of premium products through our VPower portfolio.

#### ***Raízen Energia***

We are the largest Brazilian sugarcane processing company and the largest producer-exporter of sugar. The integration, flexibility and organization of our assets in large clusters enable us to reduce our costs of production, purchase and logistics and achieve economies of scale unattainable by smaller producers.

Our core business is the production and sale of a variety of products derived from sugarcane, including anhydrous and hydrous ethanol and raw sugar, as well as energy cogeneration from sugarcane bagasse and ethanol trading. Raízen Energia operates 24 mills mainly located across five clusters in the Central-South region, with a current crushing capacity of approximately 68 million tons of sugarcane per year in aggregate. Raízen Energia's production units are self-sufficient in energy consumption and 13 of them have long-term contracts for the sale of surplus power to the National Interconnected System (*Sistema Interligado Nacional*), or SIN. Raízen Energia

recorded R\$11,867.1 million in revenues for the fiscal year ended March 31, 2016, of which 49% came from ethanol sales, 43% from sugar sales, 5% from energy sales and 3% from other products.

Our strategic goal is to be the lowest cost producer in the market. In order to achieve our goal, we are focused on achieving efficiencies through the use of new technologies and process improvements, exploring opportunities through selective acquisitions and partnerships, capturing additional synergies and benefiting from upward price cycles. Certain of our other key strategic objectives include increasing capacity for generating straw and other biogases, second generation ethanol (E2G), and developing ethanol as a clean alternative to fossil fuels, globally and locally.

## **Financial Presentation and Accounting Policies**

### ***Presentation of Financial Statements***

The discussion in this section is based on a comparison of (i) our unaudited combined consolidated interim financial information as of and for the six-month periods ended September 30, 2016 and 2015; (ii) our audited combined consolidated financial statements as of and for the fiscal years ended March 31, 2016 and 2015; and (iii) our audited combined consolidated financial statements as of and for the fiscal years ended March 31, 2015 and 2014.

### ***Critical Accounting Policies and Estimates***

The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses at the end of the reporting period. Actual results may differ from these estimates. Such estimates and underlying assumptions are reviewed on an ongoing basis and changes are recognized in the period in which the estimates are revised and in any future periods affected.

Should there be a significant change in the facts and circumstances on which the estimates and assumptions made are based, there may be a material impact on the Raízen's results and financial position.

Summary information about critical judgments, assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognized in the combined consolidated financial statements is included as follows (see note 2.1 to our combined consolidated financial statements for the fiscal year ended March 31, 2016 included elsewhere in this offering memorandum for further information):

*Property, plant and equipment and intangible assets, including goodwill.* The accounting treatment given to property, plant and equipment and intangible assets includes estimates to determine the useful life for depreciation and amortization purposes, in addition to the fair value at acquisition date of the assets acquired through business combinations. Currently, Raízen performs impairment tests on the assets with an indefinite useful life, especially goodwill supported by future profitability. The determination of the recoverable amount of the cash-generating unit to which the goodwill was allocated also includes the use of estimates and assumptions and requires a significant degree of management's judgment. See also "—Biological assets and agricultural products."

*Deferred income and social contribution tax.* Deferred income tax and social contribution assets are recognized for all tax loss carryforwards not utilized to the extent that it is probable that there will be future taxable income to allow their use in the future. Substantial judgment from management is required to determine the amount of the deferred income tax and social contribution assets that can be recognized, based on the reasonable term and amount of future taxable income, along with future tax rationalization. For further details on deferred taxes, see note 15 to our combined consolidated financial statements for the fiscal year ended March 31, 2016 included elsewhere in this offering memorandum.

*Fair value of financial instruments.* When the fair value of the financial assets and liabilities presented in the statement of financial position cannot be obtained from active markets, it is determined by using valuation techniques, including the discounted cash flow method. The data for these methods are based on those adopted by the market, when possible. However, when such data is not available, a certain level of judgment is required to establish the fair value. Judgment includes considerations on the data utilized, such as liquidity risk, credit risk and volatility. Changes in the assumptions related to these factors can affect the fair value presented for the financial instruments. For more details on financial instruments, see note 23 to our combined consolidated financial statements for the fiscal year ended March 31, 2016 included elsewhere in this offering memorandum.

*Provision for tax, civil, environmental and labor contingencies.* Raízen constitutes a provision for tax, civil, environmental and labor contingencies. Determination of the likelihood of loss includes determination of available evidence, hierarchy of laws, jurisprudence available, more recent court decisions and relevance thereof in legal system, as well as evaluation of internal and external attorneys. Such provisions are reviewed and adjusted to take into account changes in circumstances, such as statute of limitations applicable, tax inspection conclusions or additional exposures identified based on new matters or court decisions.

*Income tax, social contribution and other taxes payable.* Raízen is subject to income tax and social contribution in all countries in which it operates. Significant judgment is required to determine the provision for income taxes in these various countries. In many operations, the final determination of the tax is uncertain. Raízen also recognizes provisions to cover certain situations in which it is probable that additional tax amounts will be owed. When final results of such issues differ from initially estimated and recorded amounts, these differences affect current and deferred tax liabilities in the period in which definitive value is determined.

*Biological assets and agricultural products.* Biological assets are measured at fair value at the point of harvest, and the effects of changes in fair value between the periods are recognized directly in the cost of products sold. For further information on the assumptions used, see note 10 to our combined consolidated financial statements for the fiscal year ended March 31, 2016 included elsewhere in this offering memorandum. The fair value of agricultural produce is calculated at each reporting date, through an analysis of the average production cost of the sugarcane harvested in relation to its market value. In addition, IAS 16 – Property, Plant and Equipment (CPC 27) and IAS 41 - Agriculture (CPC 29) have been amended to require bearer biological assets (in the case of Raízen Energia, sugarcane roots) to be accounted under the cost model in accordance with IAS 16 (*i.e.*, cost less accumulated depreciation and impairment loss, if any). The amendments did not change the accounting for consumable biological assets (in the case of Raízen Energia, standing cane (sugarcane before being harvested) which remained within the scope of IAS 41 (*i.e.*, accounted for at fair value). The amendments apply for periods beginning on or after January 1, 2016, which is effective for Raízen Energia on the year beginning on April 1, 2016. The combined consolidated interim financial statements included in this offering memorandum as of and for the six month period ended September 30, 2016, were prepared considering such amendments. However, our annual combined consolidated financial statements included in this offering memorandum as of March 31, 2016, 2015 and 2014 do not include the effects of such amendments. Our annual financial statements as of and for the year ending March 31, 2017 will reflect these changes.

*Provision for removal of storage tanks.* Future costs with removal of fuel storage tanks are estimated and recorded as part of the costs of these assets, with a corresponding entry to the provision that supports such costs. These costs are presented as property, plant and equipment, with a corresponding entry to non-current or current liabilities. The estimates for these costs are recorded at the present value of these obligations, discounted at a risk-free interest rate.

### ***Net Operating Revenue***

We report net operating revenue 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 11%).

### ***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. 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.

### Principal Factors Affecting Our Results of Operations

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

#### *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 September 30, 2016, and as of and for the years ended December 31, 2015, 2014 and 2013:

	As of and for the Nine-Month Period Ended September 30,	As of and for the Year Ended December 31,		
	2016	2015	2014	2013
GDP growth (reduction) <sup>(1)</sup> .....	(4.0%)	(3.8)%	0.1%	3.0%
Inflation (IGP-M) <sup>(2)</sup> .....	6.5%	10.5%	3.7%	5.5%
Inflation (IPCA) <sup>(3)</sup> .....	5.5%	10.7%	6.4%	5.9%
CDI <sup>(4)</sup> .....	10.4%	13.2%	10.8%	8.0%
TJLP <sup>(5)</sup> .....	7.5%	7.0%	5.0%	5.0%
Appreciation (depreciation) of the real vs. U.S. dollar in the period.....	16.9%	(47.0)%	(13.4)%	(14.6)%
Exchange rate at period end—U.S.\$1.00.....	R\$3.246	R\$3.905	R\$2.656	R\$2.343
Average exchange rate—U.S.\$1.00 <sup>(6)</sup> .....	R\$3.545	R\$3.340	R\$2.355	R\$2.161

Sources: Central Bank, FGV, IBGE, or CETIP

- (1) Brazilian GDP according to IBGE.
- (2) The IGP-M is the general market price index measured by FGV.
- (3) The IPCA is the broad consumer price index as measured by IBGE.
- (4) The CDI rate is the average of the fixed rates of interbank deposits applicable in Brazil for one business day as registered with and settled by the CETIP system (accumulated during the period indicated).
- (5) The TJLP rate is the long-term interest rate published every quarter by the Central Bank. The figures correspond to the TJLP rate as of the last month of the period indicated.
- (6) Represents the daily average of the exchange rates during the period.

General economic stability in Brazil following the onset of the global financial crisis in 2009 allowed the Central Bank to continue its policy of reducing interest rates. This resulted in a reduction in the short-term interest rate (*Sistema Especial de Liquidação e Custódia*), or SELIC rate, in annual terms to 11.00% at the end of 2011 and 7.25% at the end of 2012. However, due to inflation and other general macroeconomics concerns, the Central Bank began increasing interest rates, with the SELIC reaching 10.00% at the end of December 31, 2013, 11.75% at the end of December 31, 2014, 14.25% at the end of December 31, 2015 and 14.25% as of September 30, 2016.

The recent economic instability in Brazil caused by the rise of inflation, a slowdown in GDP growth, and uncertainty as to whether the Brazilian government will enact the necessary economic reforms in 2016 to improve Brazil’s deteriorating fiscal accounts and economy have led to a decline in market confidence in the Brazilian economy and a government crisis. On May 12, 2016, the Brazilian Senate voted to begin its review of the impeachment proceedings against President Dilma Rousseff. After the legal and administrative process for the impeachment, Brazil’s Senate removed President Dilma Rousseff from office on August 31, 2016 for infringing budgetary laws. Michel Temer, the former vice president, who has run Brazil since Ms. Rousseff’s suspension in May, was sworn in by the Senate to serve out the remainder of the presidential term until 2018. However, the resolution of the political and economic crisis in Brazil still depends on the outcome of Operation Car Wash and approval of reforms that are expected to be promoted by the new president. We cannot predict which policies the Brazilian government may adopt or change or the effect that any such policies might have on our business and on the Brazilian economy. Any such new policies or changes to current policies may have a material adverse effect on our business, results of operations and financial condition

Any deterioration in Brazil's rate of economic growth, changes in interest rates, the unemployment rate or price levels generally may limit the availability of credit, income and purchasing power of our customers, thereby potentially affecting demand for our products.

### *Sugar*

The profitability of our sugar products is mainly 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 and whether to produce sugar or more ethanol.

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

	For the Six-Month Period Ended September 30,		For the Fiscal Year Ended March 31,		
	2016	2015	2016	2015	2014
	(in U.S.\$ per pound)				
Initial quote.....	15.18	12.32	12.32	17.18	17.69
Closing quote.....	22.53	14.64	15.35	11.93	17.77
Daily average quote.....	18.70	13.20	13.19	15.77	17.00
High quote.....	23.27	16.71	16.71	18.25	19.50
Low quote.....	14.01	10.39	10.39	11.93	14.74

Source: NYBOT and Bloomberg

### *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 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, whose main contracts are DL1. Prices for ethanol 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:

	For the Six-Month Period Ended September 30,		For the Fiscal Year Ended March 31,		
	2016	2015	2016	2015	2014
	(in U.S.\$ per liter)				
Initial quote.....	0.46	0.40	0.40	0.58	0.60
Closing quote.....	0.53	0.32	0.51	0.40	0.61
Daily average quote.....	0.45	0.37	0.41	0.51	0.54
High quote.....	0.53	0.43	0.53	0.64	0.65
Low quote.....	0.38	0.32	0.32	0.38	0.45

Source: ESALQ

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

	For the Six-Month Period Ended September 30,		For the Fiscal Year Ended March 31,		
	2016	2015	2016	2015	2014
	(in U.S.\$ per liter)				
Initial quote.....	0.56	0.43	0.43	0.70	0.66
Closing quote.....	0.59	0.35	0.57	0.42	0.69
Daily average quote.....	0.50	0.42	0.46	0.57	0.61
High quote.....	0.59	0.48	0.57	0.70	0.70
Low quote.....	0.43	0.35	0.35	0.42	0.51

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:

	For the Six-Month Period Ended September 30,		For Year Ended March 31,		
	2016	2015	2016	2015	2014
Average Unitary Price.....	2.31	1.96	2.28	1.94	1.86

Source: Bloomberg

### ***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. A decrease in economic activity would adversely affect demand for fuels.

### ***Currency Fluctuations***

A significant proportion of the sales of sugar of Raízen Energia are conducted in U.S. dollars. Therefore, a depreciation of the *real* against the U.S. dollar would have the effect of increasing our sales in Raízen Energia. For example, Raízen Energia's results for the three-month period ended December 31, 2015 were positively influenced by a material depreciation of the real during the period (the average real/U.S. dollar exchange rate during the three-month period ended December 31, 2015 was R\$3.844 per U.S.\$1.00, as compared to R\$3.295 per U.S.\$1.00 during the corresponding period in 2016). An appreciation of the 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 *real* against the U.S. dollar would increase our debt burden and our 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 *real* would have on our financial position. An appreciation of the *real* against the U.S. dollar would have the opposite effect.

In order to mitigate the effects of a potential fluctuation in the U.S. dollar, 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.

### ***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 / May and ends in November / December. This creates variations in inventory, which is usually high in November due to

harvest dynamics and a degree of seasonality in gross profit from sales of ethanol and sugar, and is significantly lower in the quarter ending December 31. None of our other business segments are subject to significant seasonal trends.

### ***Inflation***

The inflation rates in Brazil, as measured by the IPCA was 6.5% in 2011, 5.8% in 2012, 5.9% in 2013, 6.4% in 2014 and 10.7% in 2015. The accumulated inflation rate reached a level of 8.5% for the twelve-month period ended September 2016.

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, and 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 may impact the results of our operations include:

- Hedging transactions;
- Trade barriers in 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;
- 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 growth in worldwide sugar and ethanol consumption; and
- The tax policies adopted by the Brazilian federal and state governments (including tax incentives from which we benefit), and our resulting tax obligation.

## **Operating Results**

The following discussion of our results of operations is based on the financial information derived from our unaudited combined consolidated interim financial information and audited combined consolidated financial statements, as applicable, prepared in accordance with Brazilian GAAP as issued by the CPC, and IFRS as issued by the IASB (including, in the case of our unaudited combined consolidated interim financial information, Technical Pronouncement CPC 21(R1) – Interim Financial Reporting and IAS 34 - Interim Financial Reporting), unless otherwise stated. In the following discussion, references to increases or decreases in any period are made by comparison with the corresponding prior period, as applicable, except as the context otherwise indicates.

The individual amounts presented in each of the tables below for Raízen Energia and Raízen Combustíveis are different from those included in Raízen's combined consolidated financial information due to the elimination of transactions and balances between these companies. Accordingly, each of the tables below contains one line item reconciling such amounts with the amounts presented in Raízen's combined consolidated financial information.

### ***Six-Month Period Ended September 30, 2016 compared to the Six-Month Period Ended September 30, 2015***

The table below sets forth our comparative combined consolidated financial information for the six-month periods ended September 30, 2016 and 2015. Our financial information for the six-month period ended September 30, 2015 has been adjusted and restated in our unaudited combined consolidated interim financial information as of and for the six-month period ended September 30, 2016 to give effect to the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.

	For the Six-Month Period Ended September 30,		
	2016	2015	% Variation
	(in R\$ millions, except percentages)		
Net operating revenue.....	38,647.4	34,127.8	13.2
Cost of goods sold and services provided.....	(35,712.3)	(32,156.0)	11.1
Gross profit.....	2,935.1	1,971.8	48.9
Selling expenses .....	(951.9)	(828.4)	14.9
General and administrative expenses.....	(459.6)	(439.9)	4.5
Other operating income, net .....	507.3	180.2	181.5
Equity income (loss) of subsidiaries and associated companies .....	(25.6)	(19.6)	30.6
Net operating expenses.....	(929.9)	(1,107.7)	(16.1)
Income before financial income (loss) and taxes.....	2,005.2	864.1	132.1
Financial results.....	(52.0)	(576.7)	(91.0)
Financial expenses .....	(545.0)	(222.4)	145.1
Financial income .....	405.3	326.3	24.2
Net exchange variation.....	336.1	(853.3)	(139.4)
Net effect of the derivatives .....	(248.4)	172.7	243.8
Income before income and social contribution taxes.....	1,953.1	287.4	579.6
Income and social contribution taxes.....	(554.4)	(12.7)	n.m.
Current .....	(316.3)	(162.6)	94.5
Deferred .....	(238.1)	149.9	(258.8)
Net income for the period.....	1,398.7	274.7	409.2

#### Net operating revenue

The table below presents a breakdown of Raízen Combustíveis and Raízen Energia's net operating revenue for the six-month periods ended September 30, 2016 and 2015:

	For the Six-Month Period Ended September 30,		
	2016	2015	% Variation
	(in R\$ millions, except percentages)		
<b>Raízen Energia</b> .....	5,791.3	4,284.4	35.2
Sugar.....	2,558.4	1,665.6	53.6
Ethanol.....	2,663.1	2,069.0	28.7
Cogeneration.....	358.0	375.1	(4.6)
Other.....	211.8	174.7	21.2
<b>Raízen Combustíveis</b> .....	33,803.0	30,432.8	11.1
Fuel.....	33,803.0	30,432.8	11.1
Intragroup eliminations.....	(946.9)	(589.4)	60.7
<b>Total combined consolidated</b> .....	38,647.4	34,127.8	13.2

Raízen Energia's net operating revenue increased by 35.2%, from R\$4,284.4 million in the six-month period ended September 30, 2015 to R\$5,791.3 million in the six-month period ended September 30, 2016, mainly due to higher average sugar and ethanol prices, reflecting better market prices (mainly as a result of increased international prices and the depreciation of the *real* against the U.S. dollar) in the period for both products, an increase of 12.2% in sugar sales volume and an increase of 16.6% in ethanol sales volume (primarily related, in the case of ethanol sales volume, to the international market).

Raízen Combustíveis' net operating revenue increased by 11.1%, from R\$30,432.8 million in the six-month period ended September 30, 2015, to R\$33,803.0 million in the six-month period ended September 30, 2016, despite a 1.2% decrease in sales volume (based on sales volumes published by Sindicom). Gasoline sales volume increased by 8.5% while ethanol sales volume decreased by 17.8% (based on sales volumes published by Sindicom). Diesel sales also decreased by 1.2% as a consequence of the economic slowdown, despite the early start of the sugarcane

harvest season and new contracts secured in the period. The average sales price from diesel, gasoline and ethanol increased 11.2%, 20.9% and 12.3% respectively. Sales in the aviation segment followed market trends and remained affected by weaker demand for air transportation, with correspondingly lower prices and sales volumes.

*Cost of goods sold and services provided*

	For the Six-Month Period Ended September 30,		
	2016	2015	% Variation
	(in R\$ millions, except percentages)		
Raízen Energia.....	(4,618.4)	(3,708.5)	24.5
Raízen Combustíveis .....	(32,032.8)	(29,019.4)	10.4
Intragroup eliminations.....	938.9	571.9	64.2
Total combined consolidated.....	(35,712.3)	(32,156.0)	11.1

The cost of goods sold and services provided of Raízen Energia increased by 24.5%, from R\$3,708.5 million in the six-month period ended September 30, 2015 to R\$4,618.4 million in the six-month period ended September 30, 2016, primarily due to (1) 12.2% higher sales volumes of sugar and a 16.6% higher sales volume of ethanol, (2) a 1.2% decrease in total sugar recovered, or TSR, (the total amount of sugar content in the sugarcane) in the period, (3) an increase of 30.9% in the purchase price of sugarcane from suppliers, (4) early start of the harvest, and (5) interruption of operations due to rain.

The cost of goods sold and services provided by Raízen Combustíveis increased by 10.4%, from R\$29,019.4 million in the six-month period ended September 30, 2015 to R\$32,032.8 million in the six-month period ended September 30, 2016, due to increases in diesel and gasoline prices implemented by Petrobras in September 2015 and a 15% increase in logistics costs as a result of our supply strategy.

*Selling expenses*

	For the Six-Month Period Ended September 30,		
	2016	2015	% Variation
	(in R\$ millions, except percentages)		
Raízen Energia.....	(379.8)	(276.4)	37.4
Raízen Combustíveis .....	(572.7)	(552.0)	3.8
Intragroup eliminations.....	0.6	—	n.m.
Total combined consolidated.....	(951.9)	(828.4)	14.9

Raízen Energia's selling expenses increased to R\$379.8 million, or 37.4%, in the six-month period ended September 30, 2016 as compared to R\$276.4 million in the six-month period ended September 30, 2015, primarily due to higher freight expenses as a result of growth in sales volume of sugar and ethanol, especially in the export market.

Raízen Combustíveis' selling expenses increased by 3.8% from R\$552.0 million in the six-month period ended September 30, 2015 to R\$572.7 million in the six-month period ended September 30, 2016, primarily due to higher logistics expenses, reflecting our supply strategy.

*General and administrative expenses*

	For the Six-Month Period Ended September 30,		
	2016	2015	% Variation
	(in R\$ millions, except percentages)		
Raízen Energia .....	(236.6)	(251.4)	(5.9)
Raízen Combustíveis .....	(223.0)	(188.5)	18.3
Total combined consolidated.....	(459.6)	(439.8)	4.5

General and administrative expenses for Raízen Energia amounted to R\$236.6 million in the six-month period ended September 30, 2016, a decrease of 5.9% compared to R\$251.4 million in the six-month period ended September 30, 2015, primarily due to lower concentration of expenses in the period.

General and administrative expenses for Raízen Combustíveis increased to R\$223.0 million in the six-month period ended September 30, 2016, an increase of 18.3% compared to R\$188.5 million in the six-month period ended September 30, 2015 primarily due to concentration of marketing expenses in this period and the impact of inflation on general expenses.

*Other operating income (expenses), net*

	<b>For the Six-Month Period Ended September 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Variation</b>
	<b>(in R\$ millions, except percentages)</b>		
Raízen Energia .....	(42.1)	(5.9)	613.6
Raízen Combustíveis .....	550.0	186.1	195.5
Intragroup eliminations.....	(0.6)	—	n.m.
Total combined consolidated.....	507.3	180.2	181.5

Other operating expenses for Raízen Energia amounted to R\$42.1 million in the six-month period ended September 30, 2016, compared to R\$5.9 million in the six-month period ended September 30, 2015, primarily due to washout operations in relation to certain business contracts in the scope of the execution of our business strategy in the ordinary course of business.

Other operating income for Raízen Combustíveis increased to R\$550.0 million in the six-month period ended September 30, 2016, an increase of 195.5% compared to R\$186.1 million in the six-month period ended September 30, 2015 primarily due to (1) the sale of property, plant and equipment and biological assets, (2) the gain from the divestment of our 10% equity interest in *Serviços e Tecnologia de Pagamento – Sem Parar*, or STP, and (3) the recovery of tax credits relating to costs incurred by Raízen Combustíveis in previous periods.

*Equity income (loss) of subsidiaries and associated companies*

	<b>For the Six-Month Period Ended September 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Variation</b>
	<b>(in R\$ millions, except percentages)</b>		
Raízen Energia .....	(22.8)	(26.2)	(13.0)
Raízen Combustíveis .....	(2.8)	6.6	(142.4)
Total combined consolidated.....	(25.6)	(19.6)	30.6

Equity losses of Raízen Energia totaled R\$22.8 million in the six-month period ended September 30, 2016, a decrease of 13.0% compared to R\$26.2 million in the six-month period ended September 30, 2015.

Equity losses of Raízen Combustíveis amounted to a loss of R\$2.8 million in the six-month period ended September 30, 2016, a decrease of 142.4% compared to an income of R\$6.6 million in the six-month period ended September 30, 2015.

*Income before financial results, income and social contribution taxes*

	<b>For the Six-Month Period Ended September 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Variation</b>
	<b>(in R\$ millions, except percentages)</b>		
Raízen Energia .....	491.6	15.9	n.m.
Raízen Combustíveis .....	1,521.5	865.6	75.8

	<b>For the Six-Month Period Ended September 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Variation</b>
	(in R\$ millions, except percentages)		
Intragroup eliminations.....	(7.9)	(17.4)	(54.6)
Total combined consolidated.....	2,005.2	864.1	132.1

Income before financial results, income and social contribution taxes for Raízen Energia totaled R\$491.6 million in the six-month period ended September 30, 2016, compared to R\$15.9 million in the six-month period ended September 30, 2015, primarily due to higher prices and sales volumes for sugar and ethanol in the period.

Income before financial results, income tax and social contribution taxes for Raízen Combustíveis totaled R\$1,521.5 million in the six-month period ended September 30, 2016, an increase of 75.8% compared to R\$865.6 million in the six-month period ended September 30, 2015, primarily due to a better sales mix, with higher sales volumes of gasoline, gains from our supply and commercialization strategy and gains from other operating income.

#### *Financial results*

	<b>For the Six-Month Period Ended September 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Variation</b>
	(in R\$ millions, except percentages)		
Raízen Energia .....	281.0	(447.9)	(162.7)
Raízen Combustíveis .....	(293.3)	(128.9)	127.5
Intragroup eliminations.....	(39.7)	—	n.m.
Total combined consolidated.....	(52.0)	(576.7)	(91.0)

Financial results for Raízen Energia totaled an income of R\$281.0 million in the six-month period ended September 30, 2016, an increase of 162.7% compared to financial expenses of R\$447.9 million in the six-month period ended September 30, 2015, primarily due to foreign exchange impact resulting from an appreciation of the real.

Financial results for Raízen Combustíveis totaled a net expense of R\$293.3 million in the six-month period ended September 30, 2016, an increase of 127.5% compared to financial expenses of R\$128.9 million in the six-month period ended September 30, 2015. This was due to a higher average debt balance during the period and the increase of interest rates in Brazil.

#### ***Fiscal Year Ended March 31, 2016 compared to Fiscal Year Ended March 31, 2015***

The table below sets forth our comparative combined consolidated financial information for the fiscal years ended March 31, 2016 and 2015.

	<b>For the Fiscal Year Ended March 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Variation</b>
	(in R\$ millions, except percentages)		
Net operating revenue.....	74,109.2	65,092.7	13.9
Cost of goods sold and services provided.....	(67,815.3)	(60,487.1)	12.1
Gross profit.....	6,293.8	4,605.6	36.7
Selling expenses .....	(1,814.9)	(1,675.8)	8.3
General and administrative expenses.....	(924.1)	(869.9)	6.2
Other operating income, net .....	398.5	470.2	(15.2)
Equity income (losses) of subsidiaries and associated companies .....	(65.9)	(20.2)	226.2
Net operating expenses.....	(2,406.4)	(2,095.8)	14.8
Income before financial income (loss) and taxes.....	3,887.5	2,509.9	54.9
Financial results.....	(439.6)	(825.2)	(46.7)
Financial expenses .....	(968.9)	(718.0)	34.9
Financial income .....	731.8	492.4	48.6

	For the Fiscal Year Ended March 31,		
	2016	2015	% Variation
	(in R\$ millions, except percentages)		
Net exchange variation.....	(374.0)	(1,319.7)	(71.7)
Net effect of the derivatives .....	171.4	720.1	(76.2)
Income before income and social contribution taxes.....	3,447.9	1,684.7	104.7
Current .....	(658.5)	(384.4)	71.3
Deferred .....	(411.4)	51.3	(901.9)
Income and social contribution taxes.....	(1,069.9)	(333.1)	221.2
Net income for the year .....	2,378.0	1,351.6	75.9

#### *Net operating revenue*

The table below presents a breakdown of Raízen Combustíveis and Raízen Energia's net operating revenue for the fiscal years ended March 31, 2016 and 2015:

	For the Fiscal Year Ended March 31,		
	2016	2015	% Variation
	(in R\$ millions, except percentages)		
<b>Raízen Energia</b> .....	11,867.1	9,739.1	21.9
Sugar.....	5,109.0	4,242.4	20.4
Ethanol.....	5,867.7	4,682.0	25.3
Cogeneration.....	586.1	604.0	(3.0)
Other.....	304.3	210.7	44.4
<b>Raízen Combustíveis</b> .....			
Fuel.....	63,743.2	56,784.5	12.3
Intragroup eliminations.....	(1,501.1)	(1,430.9)	4.9
Total combined consolidated.....	74,109.2	65,092.7	13.9

Raízen Energia's net operating revenue increased by 21.9%, from R\$9,739.1 million in the fiscal year ended March 31, 2015 to R\$11,867.1 million in the fiscal year ended March 31, 2016, mainly due to higher average sugar and ethanol prices, reflecting better market prices (mainly as a result of the depreciation of the *real* against the U.S. dollar) in the period for both products, and an increase of 2.9% in sugar sales volume and 4.2% in ethanol sales volume (for both products, especially volumes directed to international markets).

Raízen Combustíveis' net operating revenue increased by 12.3% in the fiscal year ended March 31, 2016 to R\$63,743.2 million, from R\$56,784.5 million in the fiscal year ended March 31, 2015, primarily due to a 1.38% increase in sales volumes. In addition, the ethanol sales volume increased by 28.1% while the gasoline sales volume decreased by 4.8% (based on sales volumes published by Sindicom). Diesel sales remained in line when compared to the previous year. The average sales price for diesel, gasoline and ethanol increased by 13.7%, 16.6% and 15.8%, respectively. Sales in the aviation segment followed market trends and remained affected by weaker demand for air transportation with lower prices and sales volumes.

#### *Cost of goods sold and services provided*

	For the Fiscal Year Ended March 31,		
	2016	2015	% Variation
	(in R\$ millions, except percentages)		
Raízen Energia .....	(8,767.3)	(8,064.3)	8.7
Raízen Combustíveis .....	(60,536.8)	(53,853.7)	12.4

	<b>For the Fiscal Year Ended March 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Variation</b>
	(in R\$ millions, except percentages)		
Intragroup eliminations.....	1,488.8	1,430.9	4.0
Total combined consolidated.....	(67,815.3)	(60,487.1)	12.1

The cost of goods sold and services provided of Raízen Energia increased by 8.7%, from R\$8,064.3 million in the fiscal year ended March 31, 2015 to R\$8,767.3 million in the fiscal year ended March 31, 2016, primarily due to (1) 2.9% higher sales volumes of sugar and 4.2% higher sales volumes of ethanol; (2) a 4.6% decrease in TSR; (3) an increase of 16.6% in the purchase price of sugarcane from suppliers (e.g., Consecana); (4) the early start of the 2016/17 harvest year; and (5) interruption of operations due to rain.

The cost of goods sold and services provided by Raízen Combustíveis increased by 12.4%, from R\$53,853.7 million in the fiscal year ended March 31, 2015 to R\$60,536.8 million in the fiscal year ended March 31, 2016, due to a 1.38% growth in sales volume, an increase in diesel and gasoline prices by Petrobras in September 2015 and a 22% increase in logistics costs reflecting our supply strategy.

#### *Selling expenses*

	<b>For the Fiscal Year Ended March 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Variation</b>
	(in R\$ millions, except percentages)		
Raízen Energia.....	(656.2)	(564.9)	16.2
Raízen Combustíveis .....	(1,159.1)	(1,110.9)	4.3
Intragroup eliminations.....	0.4	—	n.m.
Total combined consolidated.....	(1,814.9)	(1,675.8)	8.3

Raízen Energia's selling expenses increased to R\$656.2 million, or 16.2%, in the fiscal year ended March 31, 2016 as compared to R\$564.9 million in the fiscal year ended March 31, 2015, primarily due to higher freight expenses resulting from a growth in sales volumes.

Raízen Combustíveis' selling expenses increased by 4.3% from R\$1,110.9 million in the fiscal year ended March 31, 2015 to R\$1,159.1 million in the fiscal year ended March 31, 2016, primarily due to a growth in sales volumes and the concentration of marketing expenses.

#### *General and administrative expenses*

	<b>For the Fiscal Year Ended March 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Variation</b>
	(in R\$ millions, except percentages)		
Raízen Energia.....	(528.6)	(487.5)	8.4
Raízen Combustíveis .....	(395.5)	(382.4)	3.4
Total combined consolidated.....	(924.1)	(869.9)	6.2

General and administrative expenses for Raízen Energia totaled R\$528.6 million in the fiscal year ended March 31, 2016, an increase of 8.4% compared to R\$487.5 million in the fiscal year ended March 31, 2015, primarily due to an increase in employee payments as a result of a non-recurring restructuring.

General and administrative expenses for Raízen Combustíveis totaled R\$395.5 million in the fiscal year ended March 31, 2016, an increase of 3.4% compared to R\$382.4 million in the fiscal year ended March 31, 2015, which growth was below the inflation levels observed in that period.

*Other operating income (expenses), net*

	<b>For the Fiscal Year Ended March 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Variation</b>
	<b>(in R\$ millions, except percentages)</b>		
Raízen Energia .....	49.9	71.3	(30.0)
Raízen Combustíveis .....	349.0	398.9	(12.5)
Intragroup eliminations	(0.4)	—	n.m.
Total combined consolidated .....	398.5	470.2	(15.2)

Other operating income for Raízen Energia totaled R\$49.9 million in the fiscal year ended March 31, 2016, compared to R\$71.3 million in the fiscal year ended March 31, 2015, a decrease of 30%, primarily due to washout operations in relation to certain business contracts in the scope of the execution of our business strategy in the ordinary course of business.

Other operating income for Raízen Combustíveis totaled R\$349.0 million in the fiscal year ended March 31, 2016, a decrease of 12.5% compared to R\$398.9 million in the fiscal year ended March 31, 2015 primarily due to (i) lower gains in the sale of property, plant and equipment and (ii) lower income from rent and leasing resulting from the reduction in the number of owned service stations.

*Equity income (losses) of subsidiaries and associated companies*

	<b>For the Fiscal Year Ended March 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Variation</b>
	<b>(in R\$ millions, except percentages)</b>		
Raízen Energia .....	(73.3)	(33.9)	116.2
Raízen Combustíveis .....	7.4	13.7	(46.0)
Total combined consolidated.....	(65.9)	(20.2)	226.2

Equity losses for Raízen Energia totaled R\$73.3 million in the fiscal year ended March 31, 2016, an increase of 116.2% compared to R\$33.9 million in the fiscal year ended March 31, 2015.

Equity income for Raízen Combustíveis totaled R\$7.4 million in the fiscal year ended March 31, 2016, a decrease of 46.0% compared to R\$13.7 million in the fiscal year ended March 31, 2015.

*Income before financial, income (loss) and taxes*

	<b>For the Fiscal Year Ended March 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Variation</b>
	<b>(in R\$ millions, except percentages)</b>		
Raízen Energia.....	1,891.6	659.9	186.7
Raízen Combustíveis .....	2,008.3	1,850.0	8.6
Intragroup eliminations.....	(12,4)	—	n.m.
Total combined consolidated.....	3,887.5	2,509.9	54.9

Income before financial, income and taxes for Raízen Energia totaled R\$1,891.6 million in the fiscal year ended March 31, 2016, an increase of 186.7% compared to R\$659.9 million in the fiscal year ended March 31, 2015, primarily due to higher prices, higher sales volumes of sugar and ethanol and the depreciation of the *real* during the harvest year.

Income before financial, income and taxes for Raízen Combustíveis totaled R\$2,008.3 million in the fiscal year ended March 31, 2016, an increase of 8.6% compared to R\$1,850.0 million in the fiscal year ended March 31, 2015, primarily due to a better sales mix with a higher concentration of ethanol, gains from the supply and commercialization strategy and expansion of service stations.

## Financial results

	For the Fiscal Year Ended March 31,		
	2016	2015	% Variation
	(in R\$ millions, except percentages)		
Raízen Energia .....	(169.1)	(712.2)	(76.3)
Raízen Combustíveis .....	(270.5)	(112.9)	139.6
Total combined consolidated.....	(439.6)	(825.2)	(46.7)

Financial results for Raízen Energia totaled a net financial expense of R\$169.1 million in the fiscal year ended March 31, 2016, a decrease of 76.3% compared to a net financial expense of R\$712.2 million in the fiscal year ended March 31, 2015, primarily due to gross debt reduction and foreign exchange rate impacts resulting from an appreciation of the *real*.

Financial results for Raízen Combustíveis totaled a net financial expense of R\$270.5 million in the fiscal year ended March 31, 2016, an increase of 139.6% compared to the financial expenses of R\$112.9 million in the fiscal year ended March 31, 2015. This change was due to a higher debt balance and interest rates in Brazil.

### Fiscal Year Ended March 31, 2015 compared to Fiscal Year Ended March 31, 2014

The table below sets forth our comparative combined consolidated financial information for the fiscal years ended March 31, 2015 and 2014.

	For the Fiscal Year Ended March 31,		
	2015	2014	% Variation
	(in R\$ millions, except percentages)		
Net operating revenue.....	65,092.7	58,350.2	11.6
Cost of goods sold and services provided.....	(60,487.1)	(53,851.2)	12.3
Gross profit.....	4,605.6	4,499.0	2.4
Selling expenses .....	(1,675.8)	(1,652.4)	1.4
General and administrative expenses.....	(869.9)	(930.9)	(6.6)
Other operating income, net .....	470.2	521.0	(9.8)
Equity income (loss) of subsidiaries and associated companies .....	(20.2)	(24.4)	(17.2)
Net operating income (expenses).....	(2,095.8)	(2,086.6)	0.4
Income before financial income (loss) and taxes.....	2,509.9	2,412.3	4.0
Financial results.....	(825.2)	(671.5)	22.9
Financial expenses .....	(718.0)	(527.7)	36.1
Financial income .....	492.4	317.6	55.0
Net exchange variation.....	(1,319.7)	(440.6)	199.5
Net effect of the derivatives .....	720.1	(20.8)	3,562.0
Income before income and social contribution taxes.....	1,684.7	1,740.9	(3.2)
Current .....	(384.4)	(404.9)	(5.1)
Deferred .....	51.3	(107.5)	(147.7)
Income tax and social contribution.....	(333.1)	(512.4)	(35.0)
Net income for the year .....	1,351.6	1,228.5	10.0

### Net operating revenue

The table below presents a breakdown of Raízen Combustíveis and Raízen Energia's net operating revenue for the fiscal years ended March 31, 2015 and 2014:

	For the Fiscal Year Ended March 31,		
	2015	2014	% Variation
	(in R\$ millions, except percentages)		
<b>Raízen Energia</b> .....	<b>9,739.1</b>	<b>9,455.2</b>	<b>3.0</b>
Sugar.....	4,242.4	4,353.1	(2.5)

	For the Fiscal Year Ended March 31,		
	2015	2014	% Variation
	(in R\$ millions, except percentages)		
Ethanol.....	4,682.0	4,464.5	4.9
Cogeneration.....	604.0	403.8	49.6
Other.....	210.7	233.8	(9.9)
<b>Raízen Combustíveis</b>			
Fuel.....	56,784.5	50,591.5	12.2
Intragroup eliminations.....	(1,430.9)	(1,696.5)	(15.7)
Total combined consolidated.....	65,092.7	58,350.2	11.6

Raízen Energia's net operating revenue increased by 3.0%, from R\$9,455.2 million in the fiscal year ended March 31, 2014 to R\$9,739.1 million in the fiscal year ended March 31, 2015, mainly due to 6.1% higher volumes of ethanol sales in the export market, and 48.2% higher average energy prices (primarily on the spot market) (mainly as a result of the depreciation of the *real* against the U.S. dollar).

Raízen Combustíveis' net operating revenue increased by 12.2%, from R\$50,591.5 million in the fiscal year ended March 31, 2014 to R\$56,784.5 million in the fiscal year ended March 31, 2015, primarily due to a 6.3% increase in sales volumes (based on sales volumes published by Sindicom): ethanol sales volumes increased by 6.1% and gasoline by 7.7% while diesel sales volume increased by 5.6% reflecting higher demand in retail and B2B. In addition, the average sales price of diesel, gasoline and ethanol increased 8.5%, 5.6% and 2.8%, respectively.

#### *Cost of goods sold and services provided*

	For the Fiscal Year Ended March 31,		
	2015	2014	% Variation
	(in R\$ millions, except percentages)		
Raízen Energia.....	(8,064.3)	(7,542.6)	6.9
Raízen Combustíveis .....	(53,853.7)	(48,005.2)	12.2
Intragroup eliminations.....	1,430.9	1,696.6	(15.7)
Total combined consolidated.....	(60,487.1)	(53,851.2)	12.3

The cost of goods sold and services provided by Raízen Energia increased by 6.9%, from R\$7,542.6 million in the fiscal year ended March 31, 2014 to R\$8,064.3 million in the fiscal year ended March 31, 2015, primarily due to (1) 6.1% increase in sales volumes of ethanol, (2) 4.2% higher purchase prices of sugarcane from suppliers (e.g., Consecana), (3) an 11.3% decrease in tons of sugarcane per hectare in the period, and (4) interruption of operations due to rain.

The cost of goods sold and services provided by Raízen Combustíveis increased by 12.2%, from R\$48,005.2 million in the fiscal year ended March 31, 2014 to R\$53,853.7 million in the fiscal year ended March 31, 2015, due to an 6.3% increase in the volume of products sold, higher diesel and gasoline prices by Petrobras in November 2014 and an increase in the CIDE tax (*Contribution for Intervention in the Economic Domain*).

#### *Selling expenses*

	For the Fiscal Year Ended March 31,		
	2015	2014	% Variation
	(in R\$ millions, except percentages)		
Raízen Energia .....	(564.9)	(637.3)	(11.4)
Raízen Combustíveis .....	(1,110.9)	(1,015.0)	9.4
Total combined consolidated.....	(1,675.8)	(1,652.4)	1.4

Raízen Energia's selling expenses decreased to R\$564.9 million, or 11.4%, in the fiscal year ended March 31, 2015 as compared to R\$637.3 million in the fiscal year ended March 31, 2014, primarily due to lower freight expenses and logistics costs, which were primarily due to our sales matrix during the period.

Raízen Combustíveis' selling expenses increased by 9.4% from R\$1,015.1 million in the fiscal year ended March 31, 2014 to R\$1,110.9 million in the fiscal year ended March 31, 2015, primarily due to growth in sales volumes.

*General and administrative expenses*

	<b>For the Fiscal Year Ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Variation</b>
	(in R\$ millions, except percentages)		
Raízen Energia .....	(487.5)	(539.9)	(9.7)
Raízen Combustíveis .....	(382.4)	(391.0)	(2.2)
Total combined consolidated.....	(869.9)	(930.9)	(6.6)

General and administrative expenses for Raízen Energia totaled R\$487.5 million in the fiscal year ended March 31, 2015, a decrease of 9.7% compared to R\$539.9 million in the fiscal year ended March 31, 2014, primarily due to efficiency gains and insourcing activities.

General and administrative expenses for Raízen Combustíveis totaled R\$382.4 million in the fiscal year ended March 31, 2015, a decrease of 2.2% compared to R\$391.0 million in the fiscal year ended March 31, 2014.

*Other operating income, net*

	<b>For the Fiscal Year Ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Variation</b>
	(in R\$ millions, except percentages)		
Raízen Energia .....	71.3	60.4	18.0
Raízen Combustíveis .....	398.9	460.6	(13.4)
Total combined consolidated.....	470.2	521.0	(9.8)

Other operating income for Raízen Energia totaled R\$71.3 million in the fiscal year ended March 31, 2015, compared to R\$60.4 million in the fiscal year ended March 31, 2014.

Other operating income for Raízen Combustíveis totaled R\$398.9 million in the fiscal year ended March 31, 2015, a decrease of 13.4% compared to R\$460.6 million in the fiscal year ended March 31, 2014 primarily due to lower asset divestments.

*Equity income (loss) of subsidiaries and associated companies*

	<b>For the Fiscal Year Ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Variation</b>
	(in R\$ millions, except percentages)		
Raízen Energia .....	(33.9)	(34.5)	(1.7)
Raízen Combustíveis .....	13.7	10.1	35.6
Total combined consolidated.....	(20.2)	(24.4)	(17.2)

Equity losses for Raízen Energia totaled R\$33.9 million in the fiscal year ended March 31, 2015, a decrease of 1.7% compared to R\$34.5 million in the fiscal year ended March 31, 2014.

Equity income for Raízen Combustíveis totaled R\$13.7 million in the fiscal year ended March 31, 2015, an increase of 35.6% compared to R\$10.1 million in the fiscal year ended March 31, 2014.

*Income before income tax and social contribution*

	<b>For the Fiscal Year Ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Variation</b>
	(in R\$ millions, except percentages)		
Raízen Energia .....	659.9	761.4	(13.3)
Raízen Combustíveis .....	1,850.0	1,650.9	12.1
Total combined consolidated.....	2,509.9	2,412.3	4.0

Income before financial results, income tax and social contribution for Raízen Energia totaled R\$659.9 million in the fiscal year ended March 31, 2015, a decrease of 13.3% compared to R\$761.4 million in the fiscal year ended March 31, 2014.

Income before financial results, income tax and social contribution for Raízen Combustíveis totaled R\$1,850.0 million in the fiscal year ended March 31, 2015, an increase of 12.1% compared to R\$1,650.9 million in the fiscal year ended March 31, 2014, primarily due to an increase in sales volume of ethanol, gasoline and diesel.

*Financial results*

	<b>For the Fiscal Year Ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Variation</b>
	(in R\$ millions, except percentages)		
Raízen Energia.....	(712.3)	(572.9)	24.3
Raízen Combustíveis .....	(112.9)	(98.6)	14.5
Total combined consolidated.....	(825.2)	(671.5)	22.9

Financial expenses for Raízen Energia totaled a net financial expense of R\$712.3 million in the fiscal year ended March 31, 2015, an increase of 24.3% compared to net financial expenses of R\$572.9 million in the fiscal year ended March 31, 2014, primarily due to the impact of foreign exchange rate variations resulting from a depreciation of the *real*.

Financial expenses for Raízen Combustíveis totaled net financial expenses of R\$112.9 million in the fiscal year ended March 31, 2015, an increase of 14.5% compared to financial expenses of R\$98.6 million in the fiscal year ended March 31, 2014, primarily due to the impact of foreign exchange rate variations resulting from an depreciation of the *real*.

**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 finance expenses;
- prevailing Brazilian and international interest rates, which affect our debt service requirements;
- exchange rate variations, which affect our U.S. dollar-denominated debt as well as our U.S. dollar-denominated agreements;
- 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.

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, as well as 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. We believe our current working capital is sufficient for our present requirements and would expect to meet any potential shortfalls in our working capital needs through short- and long-term borrowings, capital contributions by our shareholders, or offerings of debt or equity securities in the domestic and international capital markets. In the six-month period ended September 30, 2016 and in the fiscal years ended March 31, 2016 and 2015, the cash flow used in investing activities was funded mainly by increased borrowing.

The table below provides an overview of the composition of our combined consolidated debt and cash position as of the dates indicated:

	As of September 30,		As of March 31,			
	2016(a)	2016	2016(a)(b)	2016(b)	2015(b)	2014(b)
	(in U.S.\$)	(in R\$)	(in U.S.\$)	(in R\$)		
			(in millions)			
Current loans and financing .....	529.4	1,718.7	505.1	1,639.5	1,386.6	1,925.7
Non-current loans and financing .....	3,400.7	11,039.5	3,454.3	11,213.2	10,532.0	6,523.0
Cash and cash equivalents .....	(1,333.3)	(4,328.3)	(1,347.0)	(4,372.6)	(4,028.2)	(2,337.6)
Cash investments linked to financing ....	(18.5)	(60.2)	(19.2)	(62.3)	(45.8)	(71.1)
Brazilian treasury bonds (CTN related to PESA).....	(211.5)	(686.5)	(193.2)	(627.2)	(501.8)	(434.4)
Derivatives financial instruments, net....	14.6	47.5	(222.7)	(722.9)	(480.9)	(57.9)
Net Debt.....	2,381.4	7,730.6	2,177.2	7,067.7	6,861.8	5,547.7

- (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 U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 per U.S.\$1.00. 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) Our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2016 (with the corresponding figures for the fiscal year ended March 31, 2015) and our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2015 (with the corresponding figures for the fiscal year ended March 31, 2014) have not been retrospectively adjusted to reflect the changes in accounting policy introduced by the amendments to the technical pronouncements CPC 29 – Biological Assets and Agricultural Produce and CPC 27 – Property, Plant and Equipment.

### Cash Flows

The following table shows our combined consolidated cash flows for the periods indicated.

	September 30,		March 31,			Variation		
	2016	2015	2016	2015	2014	1H2016/ 1H2015	2016/2015	2015/2014
	(in thousands of reais)					(%)		
Net cash from operating activities.....	1,523.3	171.4	4,856.2	5,072.6	3,912.1	788.8	(4.3)	29.7
Net cash used in investment activities .....	(601.1)	(835.5)	(2,315.1)	(2,975.6)	(3,027.6)	(28.1)	(22.2)	(1.7)
Net cash used in financing activities.....	(919.7)	226.0	(2,193.6)	(406.3)	(422.5)	(507.0)	439.8	(3.8)
Increase in cash and cash equivalents, net .....	2.6	(438.2)	347.6	1,690.6	461.9	(100.6)	(79.4)	266.0
Cash and cash equivalents at the beginning of the period.....	4,372.6	4,028.2	4,028.2	2,337.6	1,875.7	8.5	72.3	24.6

	September 30,		March 31,			Variation		
	2016	2015	2016	2015	2014	1H2016/ 1H2015	2016 /2015	2015/ 2014
	(in thousands of reais)					(%)		
Effect of exchange variation on cash and cash equivalents.....	(46.9)	58.9	(3.2)	-	-	(179.8)	100.0	-
Cash and cash equivalents at the end of the period.....	4,328.3	3,648.9	4,372.6	4,028.2	2,337.6	18.6	8.5	72.3

Our combined consolidated cash and cash equivalents amounted to R\$4,328.3 million for the six-month period ended September 30, 2016 compared to R\$3,648.9 million for the six-month period ended September 30, 2015. As of March 31, 2016, our combined consolidated cash and cash equivalents amounted to R\$4,372.6 million compared to R\$4,028.2 million for the fiscal year ended March 31, 2015. As of March 31, 2014, our combined consolidated cash and cash equivalents (not including investment securities) amounted to R\$2,337.6 million.

#### ***Cash Flow from Operating Activities***

For the six-month period ended September 30, 2016, net cash generated by operating activities was R\$1,523.3 million compared to net cash generated by operating activities of R\$171.4 million for the corresponding six-month period ended September 30, 2015. The variation in cash flow from operating activities between these periods was primarily due to higher profits, an increase in accounts payable, and lower account receivables reflecting better management of receipts partially offset by an increase in inventories at Raízen Energia.

The net cash flows generated by operating activities in the fiscal year ended March 31, 2016 was R\$4,856.2 million, compared to R\$5,072.6 million for the fiscal year ended March 31, 2015. Despite higher profit, the reduction in net cash flow generated by operating activities was due to an increase in restricted cash (due to a high commodity price) and an increase in inventories (related to the early start of the 2016/2017 harvest year).

The net cash flows generated by operating activities in the fiscal year ended March 31, 2015 was R\$5,072.6 million, compared to R\$3,912.1 million for the fiscal year ended March 31, 2014. This variation was primarily due to interest gains and monetary and exchange rate variations, partially offset by lower profits.

#### ***Cash Flow Used in Investing Activities***

For the six-month period ended September 30, 2016, net cash used in investing activities totaled R\$601.1 million compared to net cash used in investing activities of R\$835.5 million for the corresponding period in 2015 mainly due to gain on sale of our interest in STP. On March 14, 2016, the shareholders of STP entered into a share purchase and sale contract with DBTRANS Administração de Meios de Pagamentos Ltda. for the sale of 100% of the shares representing the capital of STP to DBTRANS, of which Raízen Combustíveis held a 10% interest. In the three-month period ended September 30, 2016, due to the approval from CADE and the closing of the STP transaction, we wrote-off the corresponding investment cost in the amount of R\$243.1 million and recognized a gain from the sale of STP shares in an amount of R\$166.1 million.

Net cash used in investing activities was R\$2,315.1 million in the fiscal year ended March 31, 2016, compared to net cash used of R\$2,975.6 million for the fiscal year ended March 31, 2015, which variation was mainly attributable to the levels of plantation investments at Raízen Energia.

Net cash used in investing activities were R\$2,975.6 million in the fiscal year ended March 31, 2015, compared to R\$3,027.6 million for the fiscal year ended March 31, 2014, mainly attributable to the adequacy of the levels of planting and expansion investments in Raízen Energia.

#### ***Cash Flow from Financing Activities***

For the six-month period ended September 30, 2016, net cash flows used in financing activities totaled R\$919.7 million compared to net cash flow generated from financing activities of R\$226.0 million for the corresponding period in 2015. This change was primarily due to lower debt drawdowns.

Net cash flows used in financing activities were R\$2,193.6 million in the fiscal year ended March 31, 2016, compared to R\$406.3 million in the fiscal year ended March 31, 2015. This variation was primarily due to lower debt drawdowns.

Net cash flows used in financing activities were R\$406.3 million in the fiscal year ended March 31, 2015, compared to R\$422.5 million for the fiscal year ended March 31, 2014, which is consistent with the previous year.

## **Indebtedness**

### *Overview*

As of September 30, 2016, we had gross indebtedness (taking into account both our current and non-current loans and financings) of R\$12,758.2 million, of which R\$1,718.7 million was short term and R\$11,039.5 million was long term. On March 31, 2016, we had gross indebtedness of R\$12,852.7 million, of which R\$1,639.5 million was short term and R\$11,213.2 million was long term. On March 31, 2015, we had gross indebtedness of R\$11,918.6 million, of which R\$1,386.6 million was short term and R\$10,532.0 million was long term. On March 31, 2014, we had gross indebtedness of R\$8,448.7 million, of which R\$1,925.7 million was short term and R\$6,522.9 million was long term.

The table below shows the profile of our debt instruments, in R\$ millions, as of September 30, 2016:

Description	Interest		Actual interest rate (%)	September 30, 2016	Maturity date
	Index				
National Bank for Social and Economic Development - BNDES	URTJLP		10.00%	1,088.0	Oct 25
National Bank for Social and Economic Development - BNDES	Pre-fixed		4.50%	1,070.8	Jul 24
National Bank for Social and Economic Development - BNDES	UMBND		6.55%	68.7	Apr 24
Prepayments ("PPEs")	Dollar (U.S.\$) + Libor		3.02%	1,493.5	Dec 21
Term Loan Agreement	Dollar (U.S.\$) + Libor		2.06%	3,435.5	Apr 20
Debentures	CDI		15.19%	476.2	Oct 18
Debentures	IPCA + interest		14.08%	409.1	Oct 20
Senior notes due 2017	Dollar (U.S.\$)		7.00%	670.0	Feb 17
Resolution 2471 (PESA)	IGP-M		12.25%	968.7	Apr 23
Resolution 2471 (PESA)	Pre-fixed		3.00%	0.1	Oct 25
Credit Notes	CDI		15.19%	265.5	Oct 20
Finame/Leasing	Pre-fixed		6.69%	140.6	Nov 24
Finame/Leasing	URTJLP		10.84%	0.1	Mar 21
Certificate of Agribusiness Receivables (CRA)	CDI		14.05%	1,790.2	May 22
Certificate of Agribusiness Receivables (CRA)	IPCA + interest		13.66%	346.7	May 23
Schuldschein	Pre-fixed – EUR		2.90%	247.4	Oct 21
Schuldschein	Euribor		1.88%	365.4	Sep 22
				12,836.7	
Expenses incurred with the placement of the securities				(78.5)	
<b>Combined consolidated Debt .....</b>				<b>12,758.2</b>	
<b>Current .....</b>				<b>1,718.7</b>	
<b>Non-current .....</b>				<b>11,039.5</b>	

### *Material Financing Agreements*

Our principal financing agreements as of September 30, 2016 are described below:

#### *2015 Term Loan Facility Agreement*

On March 25, 2015, a Term Loan Facility Agreement was entered into between Raizen Cayman Limited, as borrower, Raízen Energia and Raízen Combustíveis, as guarantors, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (NY Branch), Société Générale, Sumitomo Mitsui Banking Corporation, Bank of America, N.A., BNP Paribas, Credit Agricole Corporate and Investment Bank, Scotiabank & Trust (Cayman) Ltd., Citibank, N.A., ING Bank N.V., Mizuho Bank, Ltd., HSBC Bank USA, National Association and JPMorgan Chase Bank, N.A., as lenders, and Credit Agricole Corporate and Investment Bank, as the administrative agent, in aggregate principal amount of U.S.\$450 million, herein referred to as the Term Loan Credit. The aggregate outstanding balance under the Term Loan Credit as of September 30, 2016 was R\$1,461.1 million. The Term Loan Credit is subject to interest based on the London Interbank Offered Rate, or LIBOR, plus 1.20% per annum and matures in April 2020, and can be extended by one year.

Proceeds from our Term Loan Credit facilities are intended to be used to refinance the Term Loan Facility Agreement dated as of December 5, 2012, among Raizen Cayman Limited, as borrower, Raízen Energia S.A. and

Raízen Combustíveis S.A., as guarantors, the Bank of Tokyo-Mitsubishi UFJ, Ltd. NY Branch, Société Générale, Sumitomo Mitsui Banking Corporation, Bank of America, N.A., BNP Paribas, Credit Agricole Corporate and Investment Bank, Scotiabank & Trust (Cayman) Ltd., Citibank, N.A., ING Bank N.V., Mizuho Bank, Ltd., HSBC Bank USA, National Association and JPMorgan Chase Bank, N.A., as the lenders, and Citibank, N.A., as administrative agent.

The Term Loan Credit contains customary covenants (such as financial statement reports, compliance with law, limitation on liens and limitation on fundamental changes and asset sales) and events of defaults.

#### *Revolving Loan Facility Agreement*

On March 25, 2015, a Revolving Loan Facility Agreement was entered into between Raízen Cayman Limited, as borrower, Raízen Energia and Raízen Combustíveis, as guarantors, Banco Santander (Brasil) S.A., Grand Cayman Branch, Société Générale, Sumitomo Mitsui Banking Corporation, Bank of America, N.A., BNP Paribas, Credit Agricole Corporate and Investment Bank, Scotiabank & Trust (Cayman) Ltd., Citibank, N.A., HSBC Bank USA, National Association and JPMorgan Chase Bank, N.A., as lenders and Credit Agricole Corporate and Investment Bank, as the administrative agent, in aggregate principal amount of U.S.\$285 million. This revolving loan facility bears interest at the LIBOR rate *plus* 1.2% per annum, and matures in April 2020. As of September 30, 2016, no disbursements had been made under this credit facility.

#### *2014 Syndicated Term Loan Agreement*

On March 31, 2014, Raízen Cayman Limited and the Issuer, as borrower, Raízen Energia and Raízen Combustíveis, as guarantors, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, BNP Paribas, Citibank N.A., Credit Agricole Corporate and Investment Bank, Export Development Bank Canada, ING Bank N.V., Intesa Sanpaolo S.p.A., New York Branch, JPMorgan Chase Bank, N.A., Mega International Commercial Bank Co., Ltd., New York Branch, Mizuho Bank, Ltd., Natixis, New York Branch, Scotiabank & Trust (Cayman) Ltd., Société Générale and Sumitomo Mitsui Banking Corporation, New York branch, as lenders, and Credit Agricole Corporate and Investment Bank, as administrative agent, entered into a syndicated term loan agreement in an aggregate principal amount of U.S.\$600 million. The covenants and acceleration events in this loan agreement are substantively the same as in those in the Term Loan Credit. This loan agreement bears interest at the LIBOR rate *plus* 1.40% per annum, and matures in March 2019. As of September 30, 2016, the outstanding balance of this loan agreement was R\$1,957 million.

#### *Committed Back-up Credit Facility Agreement*

On May 10, 2013, Raízen Energia, as borrower, entered into a committed back-up credit facility agreement with Cosan and Shell Finance (Netherlands) B.V., as lenders, in an amount of U.S.\$500 million, herein referred to as the Committed Back-up Credit. The Committed Back-up Credit was amended and restated on December 20, 2016, with the amount thereof being increased to U.S.\$700 million. This credit facility bears interest at the LIBOR rate *plus* 2.25% per annum, charges a commitment fee of 0.675% per annum and matures in May 2018. As of September 30, 2016, no disbursements had been made under this credit facility.

The Committed Back-up Credit contains customary covenants (such as compliance with law) and events of default (such as cross-default in principal amount in excess of U.S.\$100 million).

#### *BNDES — Program for Financing of Projects (Programa de Financiamento de Empreendimentos — FINEM Direto)*

On October 29, 2013, Raízen Energia, as the borrower, and Raízen Combustíveis, as the guarantor, entered into a FINEM credit facility with BNDES. Such credit facility is subject to interest based on fixed interest rates plus Long-term Interest Rate (*Taxa de Juros de Longo Prazo*), or TJLP, and matures in November 2023. As of September 30, 2016, the aggregate outstanding balance of the FINEM credit facility was R\$169.1 million.

On December 7, 2013, Raízen Energia and Raízen Combustíveis entered into a FINEM credit facility with BNDES, as the guarantors of the obligations assumed by the subsidiaries under the FINEM. This credit facility is subject to interest based on fixed interest rates plus TJLP, and matures between 2019 and 2025. As of September 30, 2016, the aggregate outstanding balance under our FINEM credit facility was R\$1,418 million.

The proceeds from the FINEM agreements are intended to be used by us and our subsidiaries for investing in the production and acquisition of new machinery and equipment, and also for investing in the expansion of our sugar and ethanol milling capacity and electric energy cogeneration. The FINEM agreements are guaranteed by chattel mortgages (*alienação fiduciária*) on the financed equipment.

#### *Bank Credit Notes*

We and our subsidiaries have entered into several bank credit notes (*cédula de crédito bancário*), or CCBs, with financial institutions authorized by the BNDES to act as intermediaries for this purpose. The CCBs are subject to interest based on a fixed interest rates plus TJLP and mature between January 15, 2019 and January 15, 2023. As of September 30, 2016, the aggregate outstanding balance of our CCBs was R\$949.6 million.

The proceeds from our CCBs are intended to be used by us and our subsidiaries to crop sugarcane. The CCBs are guaranteed by corporate guarantees from Raízen Energia, Raízen Combustíveis and Raízen Araraquara Açúcar e Alcool Ltda.

The CCBs contain customary covenants and events of default (such as change of control, payment defaults on BNDES debt, cross-acceleration and cross-payment default in financial debt in principal amount in excess of R\$100 million).

#### *Export Prepayment Contracts*

In 2013, Raízen Energia entered into several export prepayment contracts, or EPPs, with certain financial institutions for financing of future sugar export for total aggregate amount of U.S.\$125 million. These EPPs bear interest at the LIBOR rate plus a spread which results in effective average interest rate of 2.13% per annum, and have a final date of September 11, 2017. As of September 30, 2016, the aggregate outstanding balance of these EPPs was R\$341.1 million.

In October 2015, Raízen Combustíveis entered into two EPPs with certain financial institutions in a total amount of U.S.\$200 million. These EPPs are subject to fixed interest rates of 3.63% per annum and have a final maturity date of September 29, 2020. As of September 30, 2016, the aggregate outstanding balance of these EPPs was R\$649.3 million.

In addition, in November and December 2015, Raízen Combustíveis entered into two new EPPs with certain financial institutions in a total amount of U.S.\$100 million. These EPPs are subject to interest rates based on LIBOR plus 1.67% per annum. The final maturity dates of these EPPs are November 12 and December 21, 2021. As of September 30, 2016, the aggregate outstanding balance of these EPPs was R\$325.2 million.

On December 15, 2015, Raízen Energia, through its subsidiary Tarumã, entered into an EPP with certain financial institutions in an amount of U.S.\$50 million. This EPP is subject to an interest rate based on LIBOR plus 1.80% per annum. The final maturity date of this EPP is December 15, 2020. As of September 30, 2016, the outstanding balance of this EPP was R\$163.6 million.

#### *Debentures*

Raízen Energia carried out its first issuance of debentures on October 15, 2013, in three series, in an aggregate amount of R\$750 million. The debentures are guaranteed by a corporate guarantee from Raízen Combustíveis. The first series accrues interest at a rate equal to 100% of the DI rate plus up to 0.89% per annum, which can be increased upon the occurrence of certain circumstances of each capitalization period, and matures on October 15, 2018. The second series accrues interest at a rate equal to 100% of the DI rate plus 0.94% per annum, which can be increased upon the occurrence of certain circumstances of each capitalization period, and matures on October 15, 2018. The third series accrues interest at the IPCA rate plus 6.38% per annum, which can be increased upon the occurrence of certain circumstances of each capitalization period, and matures on October 15, 2020. As of September 30, 2016, the aggregate outstanding balance of the debentures was R\$885.4 million.

The debentures contains customary covenants and events of defaults (such as cross-acceleration and cross-payment default in principal amount in excess of R\$100 million, merger or combination of the guarantor, sale of material assets, and cross-judgment in excess of R\$50 million).

### *Senior notes due 2017*

On January 26, 2007, Raízen Energia, through its subsidiary Raízen Energy Finance Limited, issued senior notes in the amount of U.S.\$400 million. These senior notes mature on February 1, 2017 and are subject to interest at a rate of 7% per annum, payable on a half-annual basis in February and August of each year until the maturity date. During the year ended March 31, 2016, Raízen Energia paid U.S.\$195.9 million and U.S.\$29.9 million as principal and interest, respectively. As of September 30, 2016, the aggregate outstanding balance of the senior notes was R\$670 million.

*Resolution No. 2,471 – Special Agricultural Financing Program (Programa Especial de Saneamento de Ativos, or PESA)*

In the period from 1998 to 2000, Raízen Energia and certain entities controlled by it renegotiated certain agricultural financings with certain financial institutions within the framework of Central Bank Resolution No. 2,471, of February 26, 1998. Pursuant to the PESA program, certain agricultural producers, with certain types of debt, were offered the opportunity to acquire CTNs in an effort to restructure their agricultural debts (with, in each case, the face value of the CTNs being equivalent to the value of the restructured debt and for a term of 20 years). As of September 30, 2016, the aggregate amount outstanding of our indebtedness restructured under the PESA program was R\$968.9 million.

### *Certificates of Agribusiness Receivables*

On October 1, 2014, Raízen Energia issued certificates of agribusiness receivables, or CRAs. The issuance comprised two series with an aggregate principal amount of R\$675 million. The first series accrues interest at a rate equal to 100% of the Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or the CDI rate, and matures in December 2019. The second series accrues interest at a rate of 5.69% plus the IPCA rate, and matures in December 2021. These CRAs are guaranteed by a corporate guarantee from Raízen Combustíveis. As of September 30, 2016, the aggregate outstanding balance of these CRAs was R\$720.6 million.

On June 16, 2015, Raízen Energia issued CRAs in an amount of R\$675 million. The CRAs accrue interest at a rate equal to 100% of the CDI rate, and mature on June 14, 2021. These CRAs are guaranteed by a corporate guarantee from Raízen Combustíveis. As of September 30, 2016, the aggregate outstanding balance these CRAs was R\$703.6 million.

On May 5, 2016, our subsidiary Raízen Paraguaçu Ltda. (previously known as Raízen Tarumã Ltda.) issued CRAs in an amount of R\$675 million. The issuance comprised two series: the first series accrues interest at a rate equal to 98% of the CDI rate, and matures on May 16, 2022, the second series of CRAs accrues interest at fixed rate of 6.1680% plus the IPCA rate, and matures on May 15, 2023. These CRAs are guaranteed by corporate guarantees from Raízen Energia and Raízen Combustíveis. As of September 30, 2016, the aggregate outstanding balance of these CRAs was R\$711 million.

### *Schuldschein*

In October 2014, the Issuer, as the borrower, and Raízen Energia and Raízen Combustíveis, as the guarantors, entered into financing agreements with certain private investors in the amount of €66 million, bearing interest at 2.875% per annum and maturing in October 2021. As of September 30, 2016, the aggregate outstanding balance of this financing agreement was R\$247.4 million.

In addition, in January 2015, Raízen Combustíveis entered into a financing agreement with certain private investors through its subsidiary Raízen Fuels Finance Limited in the amount of €40 million with fixed annual interest rate of 2% per annum plus Euro Interbank Offered Rate, or EURIBOR rate, resulting in effective average rate of 1.86% per annum and final maturity in January 2022. As of September 30, 2016, the aggregate outstanding balance of this financing agreement was R\$146.4 million.

On September 21, 2015, the Issuer, as the borrower, and Raízen Energia and Raízen Combustíveis, as the guarantors, entered into a financing agreement with certain private investors in the amount of €60 million, bearing interest at the three-month EUROBOR rate plus 2.30% per annum, and maturing in September 2022. As of September 30, 2016, the aggregate outstanding balance of this financing agreement was R\$219 million.

### **Restrictive Covenants**

Our financing agreements do not require us to comply with financial ratio covenants. We are required to comply with other covenants, including negative pledge and cross-default. As of the date of this offering memorandum, we were in compliance with the covenants in our financing agreements.

### **Working Capital**

As of September 30, 2016, our working capital totaled R\$7,186.6 million compared to working capital of R\$4,832.7 million as of March 31, 2016, representing an increase of 48.7%. As of March 31, 2016, we had working capital of R\$4,832.7 million, compared to R\$4,675.8 million as of March 31, 2015, representing an increase of 3.4%. As of March 31, 2015, working capital totaled R\$4,675.8 million compared to working capital of R\$2,184.2 million as at March 31, 2014, representing an increase of 114.1%.

### **Capital Expenditures**

The following table sets for our capital expenditures for the periods indicated:

	As of and for the Six-Month Period Ended September 30,		As of and for the Fiscal Year Ended March 31,		
	2016	2015	2016	2015	2014
	(in R\$ millions)				
Raízen Combustíveis .....	419.9	324.6	727.7	910.4	972.6
Raízen Energia.....	719.4	600.1	1,742.7	2,300.2	2,449.8
<b>Total.....</b>	<b>1,135.3</b>	<b>924.7</b>	<b>2,470.4</b>	<b>3,210.6</b>	<b>3,422.4</b>

In the six-month period ended September 30, 2016, capital expenditures totaled R\$1,135.3 million compared to R\$924.7 million in the six-month period ended September 30, 2015, representing an increase of 22.8%. In the fiscal year ended March 31, 2016, capital expenditures totaled R\$2,470.4 million, compared to R\$3,210.6 million in the fiscal year ended March 31, 2015, representing a decrease of 23.1%. In the fiscal year ended March 31, 2015, capital expenditures totaled R\$3,210.6 million compared R\$3,422.4 million in the fiscal year ended March 31, 2014, representing a decrease of 6.4%.

Our capital expenditure program is currently focused on the following areas:

- *Raízen Combustíveis*: continuing retail growth through selective white pumps branding and regional acquisitions, strategic positioning in infrastructure, innovative payment methods; and
- *Raízen Energia*: continuing capture of efficiencies through use of new technologies and process improvements, participating in the expected market consolidation through selective acquisitions and partnerships, and E2G (second generation ethanol), straw and biogas expansion.

### **Total Expenditures – Raízen Energia**

The following table sets forth Raízen Energia's total expenditures, which comprise Raízen Energia's operating and capital expenditures adjusted by the IGP-M, for the periods indicated:

	For the Six-Month Period Ended September 30,		For the Fiscal Year Ended March 31,		
	2016	2015	2016	2015	2014
	(in R\$ millions)				
Fixed.....	947.9	916.3	1,908.3	2,169.1	2,253.0
Variable .....	1,210.7	1,086.2	1,662.0	1,748.8	1,813.9
<b>Total.....</b>	<b>2,158.6</b>	<b>2,002.5</b>	<b>3,570.3</b>	<b>3,918.0</b>	<b>4,067.0</b>

## Off Balance Sheet Arrangements

We do not maintain any off-balance sheet arrangements.

## Contractual Obligations

The following table sets forth the maturity schedule of our material contractual financial obligations as of September 30, 2016:

	Up to 1	Up to 2	3-5	Over 5	Total
			(in R\$ million)		
Loans and financing(1) .....	1,848.7	1,905.9	9,846.8	2,924.6	16,526.1
Suppliers .....	2,081.7	-	-	-	2,081.7
Derivative financial instruments .....	624.5	201.0	212.6	196.7	1,234.8
Related parties .....	1,450.2	-	-	1,311.8	2,762.0
<b>Total .....</b>	<b>6,005.2</b>	<b>2,106.9</b>	<b>10,059.4</b>	<b>4,433.1</b>	<b>22,604.6</b>

(1) Undiscounted contractual cash flows.

## Quantitative and Qualitative Disclosures about Market Risk

### *Risk Management*

We have specific treasury and trading policies that set risk management guidelines. In addition, we have two main committees to monitor activities and ensure policy compliance: (i) a risk committee whose members gather weekly to analyze the behavior of commodity and foreign exchange markets and decide on coverage positions and the strategy to fix the prices of sugar exports to reduce the negative effects of changes in prices and foreign exchange rate; and (ii) an ethanol committee whose members gather monthly to assess the risks posed by the sale of ethanol and to comply with the limits set on risk policies.

We consider market risk to be the potential loss arising from adverse changes in market rates and prices. The Company, its subsidiaries and jointly-controlled entities are exposed to market risks, chief of which are: (i) credit risk; (ii) liquidity risk; (iii) price risk; (iv) interest rate risk; and (v) foreign currency exchange rate risk. In order to manage 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 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 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 the 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. The Company does not use derivatives or other hedge instruments for speculative purposes.

See note 23 to our combined consolidated financial statements for the fiscal year ended March 31, 2016 included elsewhere in this offering memorandum for further information.

### *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 bank is required for most of 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 statement of financial position.

See note 23 to our combined consolidated financial statements for the fiscal year ended March 31, 2016 included elsewhere in this offering memorandum for further information.

### Liquidity Risk

Liquidity risk arises where we may encounter difficulties in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. Our approach to managing liquidity is to ensure, to the extent possible, that we will have sufficient liquidity to meet our liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation. We believe that our cash on hand, cash flow from operations, remaining availability under credit lines and additional funding from Brazilian and international financial institutions and funds we receive in distributions and/or loans from our subsidiaries will be sufficient to meet our ongoing operating requirements, make scheduled principal and interest payments on our outstanding loans and financing, make dividend distributions required under the Brazilian Corporate Law and fund our capital expenditures for the foreseeable future. See “—Contractual Obligations” and note 23 to our combined consolidated financial statements for the six-month period ended September 30, 2016 included elsewhere in this offering memorandum for further information.

### Price 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 others. Raízen conducts sensitivity tests to estimate its exposure to these risks and uses derivatives to mitigate its exposure to sugar price oscillation in the international market. Derivative operations allow the Company to ensure an average margin for future sales. Raízen 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 six-month period ended September 30, 2016, a hypothetical 10% decrease or increase in unhedged prices would reduce or raise our sugar net operating revenue (as applicable).

For risk management purposes and to evaluate the overall level of commodity price exposure, Raízen 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 total sugar recovered, or TSR (the total amount of sugar content in the sugarcane), established by Consecana. The price of sugarcane supplied by growers or the lease payments incurred to produce sugarcane harvested by Raízen 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.

The table below provides information about Raízen Energia’s and Raízen Combustíveis’ derivative contracts that are sensitive to changes in commodity prices as of September 30, 2016. 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 - Commodities Derivatives Opened as of September 30, 2016

Derivatives	Purchase d / Sold	Market	Contract	Maturity	Notional		Fair value	
					(units)	(R\$ thousand)		
Future.....	Sold	NYSE LIFFE	Sugar#5	Nov16- Apr17	29,550	t	35,319	(10,120)
Future.....	Sold	ICE	Sugar#11	Feb17- May18	2,717,166	t	3,251,856	(684,630)
Options .....	Sold	ICE	Sugar#11	Feb17- Sep17	221	t	19,122	(33,454)
Future.....	Sold	OTC	Sugar#11	Apr17- Feb18	-	t	-	(2,491)
Sub-total of future sugar sold.....					2,746,937	t	3,306,297	(730,695)
Future.....	Purchased	NYSE LIFFE	Sugar#5	Nov16- Feb17	(6,000)	t	(3,334)	822
Future.....	Purchased	ICE	Sugar#11	May18- Feb17	(1,169,115)	t	(1,427,194)	145,598
Future.....	Purchased	ICE	Sugar#11	Feb17- Sep17	(221)	t	(19,835)	10,993
Sub-total of future sugar purchased.....					(1,175,336)	t	(1,450,363)	157,413
Sub-total of sugar future.....					1,571,601	t	1,855,934	(573,282)

Derivatives	Purchase d / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair value
Future.....	Sold	BM&FBOVESP A	Ethanol	Oct16- Jan17	245,223 m <sup>3</sup>	78,540	(117)
Future.....	Sold	NYMEX	Ethanol	Oct16-ar17	18,000 m <sup>3</sup>	26,810	1,039
Future.....	Sold	CHGOETHNL	Ethanol	Oct16- Mar17	95,382 m <sup>3</sup>	443	(13,992)
Sub-total of future ethanol sold.....					358,605 m <sup>3</sup>	105,793	(13,070)
Future	Purchased	BM&FBOVESPA	Ethanol	Oct16- Mar17	(248,014) m <sup>3</sup>	(84,060)	54
Future	Purchased	NYMEX	Ethanol	Oct16- Mar16	(12,000) m <sup>3</sup>	(18,295)	(871)
Future	Purchased	CHGOETHNL	Ethanol	Oct16- Mar17	(201,222) m <sup>3</sup>	(1,175)	29,073
Sub-total of future ethanol purchased.....					(461,236) m <sup>3</sup>	(103,530)	28,256
Physical fixed	Sold	CHGOETHNL	Ethanol	Oct16-May17	410,195 m <sup>3</sup>	664,573	17,314
Physical fixed	Purchased	CHGOETHNL	Ethanol	Oct16-May17	(468,395) m <sup>3</sup>	(631,516)	(109)
Sub-total of physical fixed ethanol.....					(160,831) m <sup>3</sup>	35,320	32,391
				Heating oil / gas			
Future.....	Purchased	NYMEX		Oct16-Dec16	(730,809) m <sup>3</sup>	(879,785)	55,464
Sub-total of future diesel purchased.....					(730,809) m <sup>3</sup>	(879,785)	55,464
				Heating oil / gas			
Future.....	Sold	NYMEX		Oct16-Nov16	350,641 m <sup>3</sup>	449,257	9,577
Sub-total of future diesel purchased.....					350,641 m <sup>3</sup>	449,257	9,577
Sub-total of future diesel.....					(380,168) m <sup>3</sup>	(430,528)	65,041
<b>Total products - September 2016.....</b>						<b>1,460,726</b>	<b>(475,850)</b>

### 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 “—Indebtedness” for further information.

Our interest rate risk refers to the impact of an increase in certain interest rate indexes used in certain of our loans and financings may have in the cost of our indexed indebtedness and, consequently, on our financial results. As of September 30, 2016, R\$10,707.6 million or 83.4% of our total loans and financings were indexed to variable interest rates. The table below shows a breakdown of our variable rate indebtedness by index as of September 30, 2016.

	As of September 30, 2016	
	(in R\$ million)	(in percentages)
LIBOR .....	4,929	38.4%
EURIBOR.....	365.4	2.8%
TJLP.....	1,088.1	8.5%
UMBNDDES	68.7	0.5%
CDI .....	2,531.9	19.7%
IPCA	755.8	5.9%
IGP-M.....	968.7	7.5%
<b>Total (variable interest rates).....</b>	<b>10,707.6</b>	<b>83.4%</b>
<b>Fixed rate.....</b>	<b>2,128.9</b>	<b>16.6%</b>
<b>Total .....</b>	<b>12,836.5</b>	<b>100%</b>

We monitor fluctuations in interest rates applied to certain debts, particularly those exposed to LIBOR, and use derivative instruments to manage those risks. The table below shows the positions outstanding as of September 30, 2016, for derivatives used to cover interest rate risks:

**Interest rate risk: Interest derivatives, outstanding as of September 30, 2016**

<b>Derivatives</b>	<b>Purchased / Sold</b>	<b>Market</b>	<b>Contract</b>	<b>Maturity</b>	<b>Notional (U.S.\$ thousand)</b>	<b>Notional (R\$ thousand)</b>	<b>Fair value (R\$ thousand)</b>
Interest rate swap.....	Purchased	OTC	Interest rate swap	Sep-17 – Mar-19	(175,000)	(568,085)	(3,693)
Sub-total interest rate swap .....					(175,000)	(568,085)	(3,693)
Net exposure of interest derivatives as of September 30, 2016.....					(175,000)	(568,085)	(3,693)

See note 23 to our combined consolidated financial statements for the fiscal year ended March 31, 2016 included elsewhere in this offering memorandum for further information.

*Foreign Currency Exchange Rate Risk*

Exchange rate risks arise from the possibility of fluctuations in the exchange rates used by Raízen for export revenues, imports, financing cash flows and other foreign currency assets and liabilities.

A significant portion of the revenue of 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 is also denominated in dollars, exposing it to the risk of variations in the *real* to U.S. dollar exchange rate (derivative financial instruments are used to hedge the cash flows for payment of interest of these debts).

In addition, as of September 30, 2016, R\$5,599 million or 43.6% of our total indebtedness was denominated in U.S. dollars, R\$612.8 million or 4.8% was denominated in euros, and we had an exposure of R\$5,644.6 million derivative financing instruments for hedging of loans and financings in foreign currency.

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. The table below shows the positions outstanding as of September 30, 2016 for derivatives used to cover foreign exchange rate risks:

**Foreign exchange rate risk: outstanding foreign exchange derivatives as of September 30, 2016**

<b>Derivatives</b>	<b>Purchased / Sold</b>	<b>Market</b>	<b>Contract</b>	<b>Maturity</b>	<b>Notional (units)</b>	<b>Notional (R\$ thousand)</b>	<b>Fair value (R\$ thousand)</b>
Future.....	Sold	BM&FBOVESPA	Trade dollar	Oct16- Nov16	473,500	1,537,076	(387)
Future.....	Sold	BM&FBOVESPA	DDI	Jan17	93,000	301,897	208
Subtotal future sold .....					566,500	1,838,973	(179)
Future.....	Purchased	BM&FBOVESPA	Trade dollar	Oct16- Nov16	(309,000)	(1,003,076)	154
Future.....	Purchased	BM&FBOVESPA	DDI	Jan17	(93,000)	(301,897)	(208)
Subtotal future bought.....					(402,000)	(1,304,973)	(54)
Subtotal future bought/sold.....					164,500	534,000	(233)
Term .....	Purchased	OTC/Cetip	NDF	Oct16- Apr17	(1,520,873)	(4,935,984)	(83,351)
Term .....	Sold	OTC/Cetip	NDF	Oct16- Apr17	1,925,793	6,340,902	47,355
Subtotal term bought/sold .....					404,920	1,404,918	(35,996)
Foreign exchange swap .....	Purchased	OTC	Foreign exchange swap	Sep17- Sep22	(2,314,111)	(7,512,069)	(351,250)
Foreign exchange swap .....	Sold	OTC	Foreign exchange swap	Mar-19 – Jan-22	569,133	1,847,521	271,142
Subtotal exchange swap .....					(1,744,978)	(5,664,548)	(80,108)
Foreign exchange lock .....	Sold	OTC	Foreign	Oct16-	140,000	541,760	72,572

**Foreign exchange rate risk: outstanding foreign exchange derivatives as of September 30, 2016**

Derivatives	Purchased	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair value (R\$ thousand)
	/ Sold						
			exchange	Apr17			
			lock				
Subtotal foreign exchange lock.....					140,000	541,760	72,572
Net exposure of foreign exchange derivatives as of September 30, 2016 .....					(1,035,558)	(3,183,870)	(43,765)

As of September 30, 2016, the fair value of our outstanding foreign currency exchange rate derivatives was R\$43.8 million, which comprised forward, future, swap and put option contracts as disclosed in note 23 of our unaudited financial statements as of and for the six-month period ended September 30, 2016.

The following table summarizes our net exposure to foreign exchange risk as of the dates indicated:

	As of September 30, 2016		As of March 31, 2016	
	R\$	U.S.\$(1)	R\$	U.S.\$(1)
	(in thousands)			
Cash and cash equivalents .....	266,845	82,202	845,111	237,464
Restricted cash .....	784,642	241,711	671,214	188,602
Accounts receivable—Abroad .....	194,237	59,835	119,822	33,668
Related parties .....	(679,478)	(209,315)	(108,794)	(30,570)
Suppliers .....	(166,289)	(51,226)	-	-
Loans and financing.....	(6,211,891)	(1,913,589)	(6,873,488)	(1,931,352)
Derivative financial instruments (2) .....	-	1,035,558	-	808,135
Net foreign exchange exposure.....		(754,824)		(694,053)
Derivatives settled in the subsequent month closing(3).....		(10)		-
Net foreign exchange exposure, adjusted(4).....		(754,834)		(694,053)

- (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 U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 per U.S.\$1.00. 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) Refers to the notional foreign exchange derivative transactions.
- (3) Maturities in October 2016, whose settlement was given by PTAX on the last closing day of the month.
- (4) The net foreign exchange exposure, this will be substantially offset by probable future revenues of export products.

As a measure of our market risk with respect to our foreign currency exposure, a hypothetical 25% appreciation of the *real* against the U.S. dollar would increase our export sales by approximately R\$1,453.0 million per year, based on the level of our total export sales for the six-month period ended September 30, 2016, before considering the effects on U.S. dollar derivative contracts and other dollar denominated assets and liabilities, as set forth below:

U.S. dollar financial instruments outstanding as of September 30, 2016:	Carrying Amount	Foreign Exchange Gain/ Loss – 25% FX rate Increase
	(in thousands of <i>reais</i> )	
Cash and cash equivalents .....	266,845	(66,711)
Restricted cash .....	784,642	(196,161)
Accounts receivable from abroad .....	194,237	(48,559)
Related parties (net).....	(679,478)	169,870
Suppliers .....	(166,289)	41,572
Loans and financing.....	(6,211,891)	1,552,973
<b>Net potential impact.....</b>		<b>1,452,984</b>

### ***Hedging Transactions and Exposures***

Our management has overall responsibility for the establishment and oversight of our risk management framework. Our risk management policies are established to identify and analyze the risks that we face, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and our activities. Our management, through its training, standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

See note 23 to our combined consolidated financial statements for the fiscal year ended March 31, 2016 included elsewhere in this offering memorandum for further information.

## BUSINESS

### Overview

We are an energy company, established in June 2011 as a 50%-50% joint venture between Cosan and Shell. We are among the market leaders in the three sectors in which we operate: fuel distribution, ethanol and sugar production, and energy cogeneration. We conduct our business in a sustainable and vertically integrated manner, and participate in all stages of the value chain from planting, harvesting and processing to storage, logistics and sales of our wide range of products. Based on publicly available information, we are the eighth largest company in Brazil based on net revenues.

Some of our key competitive strengths in our business segments include (i) large-scale production and distribution, (ii) operational excellence driven by innovation and technology optimization, (iii) a highly developed logistics infrastructure, (iv) strong brand recognition, and (v) a strong credit profile.

Our strategic goals are to be a fully integrated and market leading player capable of generating sound and resilient results through our scaled business, as well as to be the efficiency benchmark in each of the sectors in which we operate.

#### *Raízen Combustíveis*

We distribute fuels in the Brazilian market through Raízen Combustíveis. Raízen Combustíveis is the second largest Brazilian fuel distributor and is engaged in sourcing, storing, blending and distributing gasoline, ethanol, diesel, and aviation fuel through a nationwide network of 5,904 Shell-branded retail service stations (961 of which feature integrated convenience stores), 67 distribution terminals and 62 airport terminals supplying aviation fuel.

Raízen Combustíveis benefits from its strategically located assets nationwide, the majority of which are concentrated near major consumer markets, allowing capture of efficiencies associated to the higher consumption patterns and lower costs due to the available fuel distribution infrastructure.

Our strategic goal is to be the preferred choice for dealers and clients and the most efficient fuel distributor in Brazil (in terms of gallons per station). We are focused on continued retail growth through selective white pumps branding and regional acquisitions. In addition, we are also focused on the strategic positioning of our infrastructure and in the growth in our non-fuels business with the aim of improving customer experience through the use of our convenience stores, or C-Stores, innovative payment methods and the Shell Box web based platform. Through Raízen Combustíveis, we also aim to deliver the best offering of premium products through our VPower portfolio.

#### *Raízen Energia*

We are the largest Brazilian sugarcane processing company and the largest producer-exporter of sugar. The integration, flexibility and organization of our assets in large clusters enable us to reduce our costs of production, purchase and logistics and achieve economies of scale unattainable by smaller producers.

Our core business is the production and sale of a variety of products derived from sugarcane, including anhydrous and hydrous ethanol and raw sugar, as well as energy cogeneration from sugarcane bagasse and ethanol trading. Raízen Energia operates 24 mills mainly located across five clusters in the Central-South region, with a current crushing capacity of approximately 68 million tons of sugarcane per year in aggregate. Raízen Energia's production units are self-sufficient in energy consumption and 13 of them have long-term contracts for the sale of surplus power to the National Interconnected System (*Sistema Interligado Nacional*), or SIN. Raízen Energia recorded R\$11,867.1 million in revenues for the fiscal year ended March 31, 2016, of which 49% came from ethanol sales, 43% from sugar sales, 5% from energy sales and 3% from other products.

Our strategic goal is to be the lowest cost producer in the market. In order to achieve our goal, we are focused on achieving efficiencies through the use of new technologies and process improvements, exploring opportunities through selective acquisitions and partnerships, capturing additional synergies and benefiting from upward price cycles. Certain of our other key strategic objectives include increasing capacity for generating straw and other biogases, second generation ethanol (E2G), and developing ethanol as a clean alternative to fossil fuels, globally and locally.

## **Competitive Strengths**

As a low-cost, large-scale producer and distributor with well-established and integrated operations in the energy and fuels sectors, Raízen is able to create and capture value in the current and upcoming market context due mainly to:

### ***Leading positions in the markets 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 second largest fuel distributor, with an estimated combined 27% market share in terms of combined volume sold for the six-month period ended September 30, 2016, according to Sindicom. Additionally, we enjoy significant brand recognition by operating under the Shell brand name, which brings benefits from higher sales of value-added products (for instance, gasoline and differentiated fuels such as Shell V-Power and Shell Evolux); and
- ***Sugar, Ethanol, and Cogeneration:*** through Raízen Energia, the largest sugarcane processor in Brazil, we crushed 62.7 million tons and sold 4,683 thousand tons of sugar in the fiscal year ended March 31, 2016 (78% of which was sold outside of Brazil). We sold 3,444 million liters of ethanol in the same period (47% of which was sold outside of Brazil). As of March 31, 2016 we had a total installed energy capacity of 2,870 MW.

### ***Strategically located assets with significant geographic synergy***

Our existing mills, sugarcane fields, fuel distribution terminals and other assets are strategically located nationwide, and are concentrated near the largest consumer markets in the country.

- ***Fuel distribution:*** Raízen Combustíveis' distribution assets consist of 67 terminals which are either operated by us or by third parties. Our terminals are strategically located mainly in the Southeast and South regions of Brazil near major fuel markets and fuel distribution infrastructure; and
- ***Sugar, Ethanol and Cogeneration:*** of our 24 mills, 22 are located in the state of São Paulo where they operate in clusters due to their proximity to each other. The state of São Paulo is one of the world's most productive sugarcane regions, primarily because of its favorable soil, topography and climate, and nearby research and development organizations and infrastructure facilities. The average distance from the fields where Raízen's sugarcane is harvested to our mills is approximately 30 kilometers (approximately 19 miles). The proximity of our milling facilities to the land on which Raízen's sugarcane is cultivated reduces our transportation costs and enables us to process sugarcane within 48 hours of harvesting, thereby maximizing sucrose recovery.

### ***Synergies from an integrated supply and logistics platform***

We are a vertically integrated energy company, active in every phase of activity from cane production to fuels distribution. 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 a variety of channels, including our affiliates in Brazil and abroad, through our distribution subsidiaries Raízen Trading LLP and Raízen International Universal Corporation. We generate significant synergies from this integration. As the world's largest processor of sugarcane and the second largest fuel distributor in Brazil, we benefit from our visibility on sugar and ethanol supply and demand dynamics, which allows us to better manage our decisions with respect to our sugar versus ethanol production mix, our inventory levels and our commercial strategy, being able to capture potential margin gains from fluctuations in ethanol prices during harvest periods.

### ***Balanced risk 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, hedging positions, margin calls (cash at risk), counterparty risk and stress scenarios.

Raízen Energia's sugar and ethanol operations benefit from high and more volatile margins, while Raízen Combustíveis' large-scale downstream fuels distribution business benefits from consistent performance and stable cash flows.

Our diversified businesses coupled with our strong balance sheet and large scale, generate a unique and balanced risk profile among Brazilian companies.

### ***Strong shareholder commitment***

Raizen is a valuable asset for its shareholders. As a result of its brand licensing agreement with Shell, Raizen has grown to become the second largest downstream business for Shell globally and is a key vehicle for Shell's growth in the renewable energy sector. Raizen is a key asset in Cosan's portfolio and benefits from Cosan's expertise in the sugar and ethanol (S&E) business. Shareholder commitment is demonstrated by their stand-by committed line of credit of U.S.\$700 million.

### ***Experienced and professional management team with a culture of meritocracy***

We have a strong and complementary management team with extensive experience in the sugar and ethanol businesses as well as in the fuel distribution business. Unlike many of our domestic competitors in the sugar and ethanol industries, we have completed the evolution from a family-operated business to a company managed by professionals with significant experience in the energy and infrastructure industries. In addition, following the conclusion of the Raízen joint venture between Cosan and Shell, key executive officers from both shareholders' management teams have joined our management team and successfully implemented a culture of meritocracy. For more information, see "Management."

### ***Strong balance sheet and credit profile***

Since its inception, we have adopted a financial policy designed to promote a credit profile commensurate with an investment grade rating. As such, we currently adhere to the following key principles:

- a focus on financing recurring/operational capital expenditure from operational cash flows, with a cushion for adverse scenarios; and
- dividend payments established on an annual basis taking into consideration (i) cash generated throughout the period, (ii) our growth plan, (iii) access to financing; and (iv) maintenance of a credit profile commensurate with an investment grade rating.

We maintain a highly manageable debt amortization profile and benefit from adequate liquidity given our cash reserves of R\$5.1 billion (as of September 30, 2016), composed of cash and cash equivalents, cash investments linked to financing and Brazilian treasury bonds (CTN related to PESA). In addition, Raízen's liquidity is also reinforced by our existing bank revolving credit facility of U.S.\$285 million and our shareholders' committed line of credit of U.S.\$700 million.

## **Strategy**

The principal components of the strategies of each of our business segments are:

### ***Fuel Distribution (Raízen Combustíveis)***

- *Continue retail growth through selective dealer conversion.* We plan to continue investing in the conversion of non-branded stations to the Shell brand;
- *Continue to maximize operating efficiencies.* We will continue to focus on improving the efficiency of Raízen Combustíveis' operations in the fuel distribution business by focusing on the following key areas: (1) strategic positioning of infrastructure to optimize supply and logistical efficiency; and (2) maximizing the utilization of retail stations to keep the highest throughput per station in the market. We continuously monitor the profitability and usage of each service station in our retail network and eliminate underperforming sites, particularly in regions we consider less strategic; and

- *Non-Fuels.* Raízen Combustíveis intends to improve its non-fuels business by exploring opportunities to maximize its convenience store business and payment solutions.

### ***Sugar, Ethanol and Cogeneration (Raízen Energia)***

- *Seek further productivity improvements and cost efficiency.* We are enhancing Raízen Energia's 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 controls 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, but it remains highly fragmented. We closely monitor opportunities in the sector and will consider selective acquisitions and/or partnerships that offer the right strategic fit for our operations.
- *Explore the cogeneration potential of Raízen Energia's mills.* Raízen Energia currently has an installed energy capacity of approximately 940 MW per year from 24 mills, 13 of which sell surplus energy to the grid and on the spot market. Our cogeneration business creates a stable cash flow stream across commodity cycles, thereby offsetting the volatility of our more cyclical cash flows and operations. We intend to expand our cogeneration surplus by maximizing the recovery of straw from the fields and by buying biomass from third parties during the sugarcane offseason.
- *Participate in the development of second generation technologies for ethanol.* Raízen Energia is implementing second generation ethanol technology. This technology makes it possible to produce ethanol from sugarcane by-products (cereal straw, sugarcane bagasse, forest residues), waste, and dedicated feedstocks. We expect that this second generation technology will increase our annual biofuel production without the need for an increase in crop growing acreage, and will result in enhanced yields from improved yeast in our ethanol operations.
- *Take advantage of future ethanol export opportunities.* Raízen Energia expects to benefit from growth in global ethanol exports resulting from the anticipated lowering of trade barriers that have traditionally limited our access to certain major markets, as well as mandatory blending requirements to use ethanol as an additive to gasoline. Raízen Energia expects to do so by establishing new commercial and distribution partnerships with international industry players to expand and diversify our client base.
- *Focus on environmental and social awareness.* Raízen Energia is 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 also 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.

## **Our Operations**

We produce more than 2 billion liters of ethanol per year to supply both domestic and international markets and 4 million tons of sugar, with 940 MW of installed capacity. We plant, harvest and process sugarcane, the main raw material used in the production of sugar and ethanol. We also distribute fuel to over 5,904 service stations throughout Brazil under the Shell brand, with approximately 961 convenience stores, 67 distribution terminals and a presence in 62 airports supplying jet fuel. Internationally, we have offices in the United States, Switzerland, Singapore and the Philippines.

### ***Raízen Combustíveis (Fuel Distribution)***

Through Raízen Combustíveis, we are engaged in sourcing, storing, blending and distributing gasoline, ethanol, diesel and aviation fuel through our nationwide network of 5,904 Shell-branded retail service stations, 67

distribution terminals, and 62 airport terminals supplying aviation fuel. Following the formation of the Raízen joint venture on June 1, 2011, we are currently the second largest Brazilian fuel distributor, with approximately 27% market share in Brazil in terms of volume of fuel sold in the six-month period ended September 30, 2016, according to Sindicom (in the fiscal years ended March 31, 2014, 2015 and 2016, our market share was 23.5%, 23.9% and 25.3%, respectively, according to the same source).

The following are the three main lines of activity in which Raízen Combustíveis is engaged:

- *Retail*: Raízen Combustíveis operates in the retail segment of the fuels distribution market through a network of Shell-branded retail service gas stations which on September 30, 2016 totaled 5,904 stations throughout Brazil. Raízen Combustíveis is a “Shell” brand licensed company, which is recognized as a symbol of quality and technology. The main products that Raízen Combustíveis sells at gas stations are Shell V-Power (ethanol and gasoline with additives) and Shell Evolux.
- *Business to Business (B2B)*: Raízen Combustíveis operates in the B2B segment with more than 1,700 customers such as cargo and passengers transport companies and companies in the agricultural and mining industries, among others. Our B2B strategy is focused on customer loyalty through premium technology products (Shell V-Power and Shell Evolux portfolios), digital payment methods and carrier fleet control tools.
- *Aviation*: Raízen Combustíveis operates in the aviation sector through its 62 supply bases in Brazilian airports, providing services to commercial and business aviation companies. Raízen Combustíveis invests in the improvement of customer services and marketing strategies to differentiate its product offering in the business aviation market. The product marketed by this segment is Shell Aerojet.

Raízen Combustíveis recorded net sales of fuel of R\$63,743.2 million and EBITDA of 2,541.5 million in the fiscal year ended March 31, 2016, net sales of fuel of R\$56,784.5 million and EBITDA of 2,323.0 million in the fiscal year ended March 31, 2015, and net sales of fuel of R\$50,591.5 million and EBITDA of 2,092.6 million in the fiscal year ended March 31, 2014.

Raízen Combustíveis Highlights	As of and for the Six-Month Period Ended September 30,	As of and for the Fiscal Year Ended March 31,		
	2016	2016	2015	2014
Service stations .....	5,904	5,809	5,427	4,972
Fuels sold (billion liters) .....	13,162.3	25,569.2	25,220.2	23,722.7
Retail (billion liters) .....	9,300.9	18,282.6	18,014.5	16,731.1
B2B (billion liters) .....	2,745.7	4,924.4	4,747.2	4,554.1
Aviation (billion liters) .....	1,083.6	2,362.4	2,458.6	2,437.9
Ethanol sales (R\$ million) .....	2,555.7	5,618.4	3,788.6	3,260.4
Gasoline sales (R\$ million) .....	13,913.5	25,219.2	22,724.1	19,976.7
Diesel sales (R\$ million) .....	15,421.4	28,276.3	24,899.8	21,697.0
Jet fuel sales (R\$ million) .....	1,660.6	4,127.2	4,776.1	5,064.4
Other products (R\$ million) .....	251.8	502.1	595.9	593.0
Net sales (R\$ million) .....	33,803.0	63,743.2	56,784.5	50,591.5
EBITDA (R\$ million) .....	1,780.3	2,541.5	2,323.0	2,092.6

The table below sets forth a reconciliation of Raízen Combustíveis’s net income to its EBITDA for the periods indicated.

Reconciliation of net income to EBITDA	As of and for the Six-Month Period Ended September 30,	As of and for the Fiscal Year Ended March 31,		
	2016	2016	2015	2014
		(R\$ millions)		
Net income .....	876.2	1,200.5	1,240.6	1,087.6
(+) Financial results .....	293.3	270.5	112.9	98.5
(+) Income and social contribution taxes .....	352.0	537.3	496.5	464.8

Reconciliation of net income to EBITDA	As of and for the Six-Month Period Ended September 30,	As of and for the Fiscal Year Ended March 31,		
	2016	2016	2015	2014
(+) Depreciation and amortization .....	258.8	533.3	473.0	441.7
EBITDA .....	1,780.3	2,541.5	2,323.0	2,092.6

The evolution of our sales volume has been consistently higher or in line with the remainder of the market. The following table sets forth the percentage variation in sales volumes from the previous period of each of Raízen Combustíveis and Sindicom during the periods listed.

	For the Six-Month Period Ended September 30,	For the Fiscal Year Ended March 31,		
	2016	2016	2015	2014
Raízen .....	(1)%	1%	6%	8%
Sindicom .....	(9)%	(5)%	5%	6%

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 minimizing some of the volatility of oil price changes experienced in international markets.

All of our fuel distribution operations are in the 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.

Raízen Combustíveis supplies gasoline, ethanol and diesel through our nationwide network of 5,904 Shell-branded retail service stations. We had an average throughput per station in Brazil of R\$265,000 per month in 2013, R\$261,000 per month in 2014, R\$251,000 per month in 2015 and R\$236,000 per month in the twelve-month period ended September 30, 2016 (compared to a Sindicom average of R\$229,000 per month in 2013, R\$230,000 per month in 2014, R\$222,000 per month in 2015 and R\$212,000 per month in the twelve-month period ended September 30, 2016). Raízen Combustíveis supplies aviation fuel at 62 airports across Brazil, including at the major hubs of Congonhas and Guarulhos airports in São Paulo, and the Brasília airport in the Federal District, to Brazilian and foreign airlines.

In addition, we have 961 convenience stores (an increase from 743 in 2013, 863 in 2014 and 944 in 2015) throughout Brazil.

### ***Raízen Energia (Sugar, Ethanol and Cogeneration)***

#### *Overview*

Raízen Energia is a producer of ethanol and sugar from sugarcane. Sugarcane is the most competitive and viable feedstock for these products because of its low production cost and high energy efficiency ratio relative to other energy sources, such as corn and sugar beet. Raízen Energia is also a producer of energy from sugarcane bagasse and currently has an installed energy capacity of 940 MW from its 24 mills mainly located across five clusters located in the Central-South region. Raízen Energia's production units are self-sufficient in energy consumption and 13 of its mills generate surplus electrical energy that Raízen Energia sells into the Brazilian energy grid. Furthermore, Raízen Energia's cogeneration business generates a stable cash flow stream across commodity cycles, which helps offset the volatility of its sugar and ethanol operational cash flows. Raízen Energia accounted for 10% of the crushed sugarcane of the Central-South region for the harvest year 2015/2016, according to UNICA.

The following are the four main lines of activity in which Raízen Energia is engaged:

- *Sugarcane cultivation:* Raízen Energia uses sugarcane cultivated in the states of São Paulo, Mato Grosso do Sul and Goiás. In the fiscal year ended March 31, 2016, there were approximately 860 thousand hectares of cultivated area, with the majority of the land located in the state of São Paulo. Raízen Energia invests in research and technology to maximize land management by increasing sugarcane productivity without increasing the cultivated acreage. In addition, Raízen Energia promotes biological pest control in its cane fields, a practice that makes it possible to reduce the use of chemical pesticides. Raízen Energia also stands out in the field of agricultural mechanization. In the 2013/2014 harvest year, the level of harvest mechanization at Raízen Energia reached approximately 95%. In the 2015/2016 harvest year, the level of harvest mechanization at Raízen Energia reached approximately 98% from approximately 97% during the 2014/2015 harvest year. In the six-month period ended September 30, 2015 and 2016, the level of harvest mechanization at Raízen Energia reached approximately 97% and 98%, respectively. Furthermore, the level of mechanization at Raízen Energia in terms of crop planting for the 2013/2014, 2014/2015 and 2015/2016 harvest years reached approximately 80%, 90% and 94%, respectively. In the six-month period ended September 30, 2015 and 2016, the level of mechanization at Raízen Energia on crop planting reached 90% and 99%, respectively. To achieve this result, Raízen Energia invests heavily in equipment and training of rural workers.
- *Ethanol production:* An environmentally friendly fuel, ethanol, or ethyl alcohol, is produced from the processing and fermentation of sugarcane. It represents a major competitive advantage for Brazil in energy production and contributes to the maintenance of a cleaner and renewable energy matrix. In addition to being a principal component in the production and commercialization of biofuels (a credible alternative to fossil fuels), sugarcane ethanol provides important financial resources, creates jobs and contributes to the economic development of the country. Raízen Energia is the largest individual producer in Brazil, according to UNICA, with an annual volume of approximately 2.1 billion liters in the fiscal year ended March 31, 2016. In the domestic market, Raízen Energia sells mainly anhydrous and hydrous ethanol fuel through Shell-branded service stations as well as other fuel distributors. These ethanol products are also sold to industries and for the production of "green plastic" which is made of biodegradable materials. Raízen Energia exports part of its production of ethanol, consisting of alcohol for industrial purposes, neutral alcohol and ethanol fuel. Its main customers are trading companies that distribute the product across the globe.
- *Sugar production:* Raízen Energia is the largest individual exporter of sugar in the international market, with an annual production of approximately 4.2 million tons of sugar in the fiscal year ended March 31, 2016. In the 2015/2016 crop-year, 78% of the sugar sold by Raízen Energia was exported. Sugar production is a principal part of Raízen Energia's business portfolio. Its growing market share is the result of the adoption of global production patterns, which combine quality and efficiency in all processes.
- *Energy production:* Raízen Energia's 24 production units are self-sufficient in energy consumption and 13 of them have long-term contracts for the sale of surplus power to the SIN. Raízen Energia has an installed potential capacity of approximately 940 MW.

Raízen Energia recorded net operating revenue of R\$11,867.1 million and EBITDA of 3,768.5million in the fiscal year ended March 31, 2016, net operating revenue of R\$9,739.1 million and EBITDA of 2,567.9 million in the

fiscal year ended March 31, 2015, and net operating revenue of R\$9,455.2 million and EBITDA of 2,471.3 million in the fiscal year ended March 31, 2014.

Raízen Energia Highlights	For the Six-Month Period Ended September 30,		For the Fiscal Year Ended March 31,		
	2016(1)		2016	2015	2014
	Crushed sugarcane (million tons) .....	48.1	62.7	57.1	61.4
Total recoverable sugar (TSR).....	128.8	127.6	133.7	130.9	130.9
Sugar volume sold (thousand tons).....	2,146	4,683	4,551	4,600	4,600
Ethanol volume sold (million liters) .....	1,613	3,444	3,305	3,116	3,116
Energy sold (thousand MWh).....	1,906	2,870	2,202	2,182	2,182
Net sugar sales (R\$ million) .....	2,558.4	5,108.9	4,242.4	4,353.1	4,353.1
Domestic market .....	648.8	1,091.4	1,019.3	940.4	940.4
External market.....	1,909.6	4,017.5	3,223.1	3,412.7	3,412.7
Net ethanol sales (R\$ million) .....	2,663.1	5,867.7	4,682.0	4,464.5	4,464.5
Domestic market .....	1,057.6	2,969.1	2,403.9	2,379.3	2,379.3
External market.....	1,605.5	2,898.6	2,278.1	2,085.2	2,085.2
Net energy cogeneration sales (R\$ million).....	358.0	586.1	604.0	403.8	403.8
Other products and services (R\$ million) .....	211.8	304.4	210.7	233.8	233.8
Raízen Energia net operating revenue (R\$ million).....	5,791.3	11,867.1	9,739.1	9,455.2	9,455.2
EBITDA (R\$ million).....	1,425.9	3,768.5	2,567.9	2,471.3	2,471.3

(1) During the first quarter of every year, there is no production due to the interharvest period.

The table below sets forth a reconciliation of Raízen Energia's net income to its EBITDA for the periods indicated.

Reconciliation of net income to EBITDA	As of and for the Six-Month Period Ended September 30,		As of and for the Fiscal Year Ended March 31,		
	2016		2016	2015	2014
	(in R\$ millions)				
Net income.....	554.0	1,185.6	111.0	140.9	140.9
(+) Financial results .....	(281.0)	169.1	712.2	572.9	572.9
(+) Income and social contribution taxes.....	218.6	536.8	(163.4)	47.6	47.6
(+) Depreciation and amortization.....	934.2	1,876.9	1,908.1	1,709.9	1,709.9
EBITDA .....	1,425.9	3,678.5	2,567.9	2,471.3	2,471.3

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 sugarcane production is sourced from leased lands, as well as from third-party suppliers. The following table compares the amount of sugarcane grown on leased land with the amount purchased from third parties during the periods set out below.

	For the Six-Month Period Ended September 30,				For the Fiscal Year Ended March 31,					
	2016		2015		2016		2015		2014	
		%		%		%		%		%
(in thousand tons, except percentages)										
Sugarcane harvested from leased land .....	22,997	47.8	20,599	47.4	30,948	49.4	29,179	51.1	31,009	50.5

	For the Six-Month Period Ended				For the Fiscal Year Ended					
	September 30,				March 31,					
	2016	%	2015	%	2016	%	2015	%	2014	%
Sugarcane purchased from third-parties .....	25,092	52.2	22,891	52.6	31,757	50.6	27,900	48.9	30,432	49.5
<b>Total</b> .....	<b>48,089</b>	<b>100.0</b>	<b>43,490</b>	<b>100.0</b>	<b>62,705</b>	<b>100.0</b>	<b>57,079</b>	<b>100.0</b>	<b>61,440</b>	<b>100.0</b>

In accordance with the land lease contracts, we pay the lessors a certain fixed number of tons of sugarcane per hectare as consideration for the use of the land, and a certain fixed productivity per ton of sugarcane in terms of TSR. The overall volume of TSR is obtained by multiplying the number of hectares leased by the committed tons of sugarcane per hectare by the TSR per ton of sugarcane. The price that we pay for each kilogram of TSR is set by Consecana. 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 68 million tons of sugarcane per year and in the fiscal year ended March 31, 2016, we crushed 62.7 million tons of sugarcane, or approximately 10% of Brazil's Central-South region total sugarcane production (which was 620.8 million tons as of March 31, 2016, according to UNICA). For further information on our sugarcane mills see "—Property, Plant and Equipment." The mills that are equipped 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 heating water that is transformed into steam. Thirteen 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 harvests (*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 VHP 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 Cosan and sold to Camil Alimentos S.A. on October 24, 2012, 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 fiscal

year ended March 31, 2016 we exported 78%, by volume, of the sugar we sold. Rumo S.A., or Rumo, our affiliate in the Cosan group, handles most of the transportation by rail and logistics of our sugar exports to their sugar loading terminal at the Port of Santos.

In the six-month period ended September 30, 2016, our net sales from exports represented 60.7% of our total net sales, while in the six-month period ended September 30, 2015, our net sales from exports represented 55.9% of our total net sales. In the fiscal year ended March 31, 2016, our net sales from exports were R\$6,916.2 million, representing 58.3% of our total net sales for the period. In the fiscal year ended March 31, 2015, our net sales from exports were R\$5,501.2 million, representing 56.5% of our total net sales for the period. Further, in the fiscal year ended March 31, 2014, our net sales from exports were R\$5,497.9 million, representing 58.1% of our total net sales for that period.

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 60% of our ethanol production in the fiscal year ended March 31, 2016 and 56% of our ethanol production in the fiscal year ended March 31, 2015. 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 fiscal year ended March 31, 2016, we exported 47%, 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.

#### *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 first 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 fiscal year ended March 31, 2016, producing approximately 2.1 billion liters of ethanol, representing 7.6% 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, with export sales totaling R\$2.9 billion including offshore trading, having exported 1.6 billion liters in the fiscal year ended March 31, 2016 and 1.47 billion liters in the fiscal year ended March 31, 2015. We exported 929 million liters in the six-month period ended September 30, 2016 and 682 million liters in the six-month period ended September 30, 2015.

#### *Cogeneration*

Raízen Energia currently has an installed energy capacity of 940 MW per year from our 24 mills, of which 13 mills sold their excess energy to the Brazilian energy grid. 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.

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 fiscal years ended March 31, 2016, 2015 and 2014, and in the six-month period ended September 30, 2016, we sold 2,870 thousand MWh, 2,202 thousand MWh, 2,182 thousand MWh and 1,906 thousand MWh, respectively, of energy to third parties. Our main customers, besides the energy sold to the Brazilian grid, are utility companies. In the fiscal year ended March 31, 2016, approximately 80% of our excess cogeneration volume was sold through long-term contracts.

## **History**

### *The Raízen Joint Venture*

The Raízen joint venture was formed on June 1, 2011 by Cosan and Shell. The Raízen joint venture consists of three separate legal entities, collectively referred to as "Raízen":

- *Raízen Energia e Participações S.A. (currently Raízen Energia S.A.), or Raízen Energia:* a sugar and ethanol company, which, among other operations, produces sugar and ethanol, and is engaged in cogeneration. 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 share of the voting shares (and preferred shares bearing preferential dividend rights in certain circumstances), whereas Shell and its affiliates own 50% minus one share of Raízen Energia's voting shares.
- *Raízen Combustíveis S.A., or Raízen Combustíveis:* a downstream company, which supplies, distributes and sells fuels in Brazil. Raízen Combustíveis has a network of 5,904 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 share 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 Raízen 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.

On June 1, 2011, Cosan contributed its sugar and ethanol and its fuel distribution assets to the Raízen 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 Raízen 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 Raízen joint venture as of December 31, 2012.

The below sets forth a brief history of the key events in the development of each of Raízen Energia and Raízen Combustíveis, which together constitute the core of the Raízen joint venture.

### ***Raízen Energia***

Raízen Energia's history dates back to November 16, 2000, when the company was incorporated under the corporate name of "Danco Participações Ltda." As of the mid-2000s, Raízen Energia began to expand its operations through various acquisitions primarily in Brazil.

On December 10, 2009, Raízen Energia underwent a restructuring process following its acquisition by the Cosan group. On that date, its corporate name was changed to Cosan S.A. Açúcar e Álcool, which was the last name held by the company before the change to Raízen Energia S.A., its current corporate name, on June 1, 2011.

On May 15, 2013, Raízen Energia approved its registration with the CVM under "Category B" in accordance with CVM Instruction No. 480, the submission of an application to the CVM for the purpose, the creation of the position of Director of Investor Relations as well as certain changes to its by-laws.

On January 29, 2014, Raízen Energia incorporated Cerrado Açúcar e Álcool S.A., which it had acquired on December 17, 2013 from São Martinho S.A.

On February 7, 2014, Cosan subscribed for a capital increase by Raízen Energia in an amount of R\$8,426,540.00, through the issuance of 7,818,300 new Class B preferred shares at a price of R\$1.07779696 each, with the express consent of Shell, which waived the pre-emption right from which it benefitted.

On June 23, 2014, Cosan subscribed for a capital increase of Cosan Investimentos e Participações S.A., or CIP, and committed to acquiring 2,951,297,817 shares of CIP subscribed by Cosan through the contribution of all 2,951,297,817 ordinary shares in Raízen Energia (while reserving for itself certain rights attaching to the common shares, including voting rights).

At an extraordinary general meeting held on January 21, 2015, Raízen Energia approved the creation of Class D preferred shares and the conversion of 100,000 Class C preferred shares into an equal number of Class D preferred shares, as well as certain amendments to its bylaws.

On March 3, 2015, the board of directors of Raízen Energia approved the sale of all of Raízen Energia's shares in Codexis, Inc.

In April 2015, at an extraordinary shareholders' meeting and meeting of the board of directors of Raízen Energia, the issuance of one Rural Product Note in the approximate amount of R \$1,250,000,000 guaranteed by Raízen Combustíveis was approved.

On August 31, 2015, a capital increase by Raízen Energia in the amount of R\$1,500,000,000 was approved. This capital increase was effected through the issuance of 1,340,687,564 new common shares, all without par value, at a price of R\$1.118828906. This capital increase was fully subscribed for in equal shares by each of Cosan and Shell. As a result of this capital increase, the fully subscribed and paid up capital of Raízen Energia increased to R\$6,516,353,969.58, divided into 7,377,289,132 registered shares with no par value, including 7,243,283,198 common shares, 1 Class A preferred share, 133,242,457 Class B preferred shares, 663,476 Class C preferred shares and 100,000 Class D preferred shares.

### ***Raízen Combustíveis***

Raízen Combustíveis' history dates back to the early 20<sup>th</sup> century. The company was incorporated on April 9, 1913, in England. Subsequently, by means of Decree No. 10,168, Raízen Combustíveis was authorized to operate in Brazil under the name "The Anglo Mexican Petroleum Products Company, Limited." On August 4, 1961, Raízen Combustíveis obtained approval to transfer its headquarters to Brazil. On August 11, 1961, Raízen Combustíveis formalized the approval of such transfer, adopting the form of a *sociedade anônima* under the name "Shell Brasil S.A. (Petróleo)." As of the early 1970s, Raízen Combustíveis began to expand its operations within Brazil.

On June 1, 2011, Raízen Combustíveis changed its corporate name to "Raízen Combustíveis S.A.," its current corporate name.

On January 16, 2012, Raízen Combustíveis entered into a shareholders and investment's agreement to constitute a joint venture with Fix Investimentos Ltda. called Raízen Mime Combustíveis S.A., or Raízen Mime, which is engaged in the distribution and sale of fuels in the State of Santa Catarina. Raízen Combustíveis contributed certain assets related to the distribution of fuels into Raízen Mime, and in return acquired a majority interest of 72.3% in Raízen Mime. As of the date of this offering memorandum, Raízen Combustíveis owns 76% of the capital stock of Raízen Mime.

On April 24, 2014, Raízen Combustíveis entered into a shareholders and investment's agreement to form a joint venture with the company Sapore S.A., to operate road-side restaurants, Sabor Raiz Alimentação S.A.

On January 21, 2015, Raízen Combustíveis approved, among other matters, the creation of Class D preferred shares issued by Raízen Combustíveis and the conversion of 100,000 Class C preferred shares in equal number of Class D preferred shares issued by the Raízen Combustíveis, all owned by Shell.

On August 31, 2015, Raízen Combustíveis approved the redemption of 1,641,750,012 common shares issued by Raízen Combustíveis (along with a capital reduction at Raízen Combustíveis) at a price per share of R\$0.9136591982, of which 820,875,006 shares were owned by Shell and 820,875,006 shares were owned by Cosan. Following the redemption, Shell Brazil Holdings B.V. held 830,709,236 common shares issued by Raízen Combustíveis and CIP held 830,709,236 common shares issued by Raízen Combustíveis.

On December 30, 2015, Raízen Combustíveis approved the creation of Class E preferred shares and the conversion of 174,038,252 Class C preferred shares into an equal number of Class A preferred shares and issued by Raízen Combustíveis, all held by Shell.

On August 23, 2016, Raízen Combustíveis approved, among other matters, the redemption of 80,309,237 Class C preferred shares at a price per share of R\$1,39203083326517 issued by Raízen Combustíveis, in the total amount of R\$111,792,934.10, all held by Shell.

The current capital stock of Raízen Combustíveis is R\$1,843,719,721.76, divided into 1,937,542,013 registered shares with no par value, which consists of 1,661,418,472 common shares, 1 Class A preferred share, 93,648,276 Class B preferred shares, 8,437,012 Class C preferred shares, 100,000 Class D preferred shares and 174,038,252 Class E preferred shares.

### **Corporate Structure**

We are a Brazilian market leader in fuel distribution, sugar and ethanol production. Our main operations include: (1) the distribution of fuels in the Brazilian market through Raízen Combustíveis; and (2) the production and sale of sugar and ethanol and the cogeneration of electricity from sugarcane bagasse through Raízen Energia.

Set forth below is our corporate structure chart as of the date of this offering memorandum.



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, soil and water pollution, including management of hazardous waste.

*Port Regulation.* The Brazilian port sector is regulated by (i) the National Water Transportation Agency (*Agência Nacional de Transportes Aquaviários*), or ANTAQ, which is linked to the Brazilian government's Ministry of Transport, Ports and Civil Aviation (*Ministério dos Transportes, Portos e Aviação Civil*), (ii) Secretariat of Ports of the Presidency ("*Secretaria de Portos da Presidência da República*"), or SEP/PR, and (iii) by local port authorities. Since 2012, the Brazilian port sector has undergone a number of regulatory changes, including as a result the enactment of Federal Law No. 12,815/2013 (regulated by Decree No. 8,033/2013). One of the most important changes brought about by this new regulatory framework is the abolition of the distinction between "own cargo" and "third-party cargo" for the development and operation of private use terminals, or TUPs. In the former regulatory framework, the handling of "third-party cargo" was only possible if it was carried out in a complementary, non-continuous and subordinated nature to the movement of its "own cargo." Authorizations to operate TUPs will from now on be granted by means of authorizations preceded by public callings (*chamadas públicas*) or public announcement (*anúncio público*) and, as applicable, public bid procedure.

In addition, Federal Law No. 12,815/2013 established new criteria for public bids for new concessions and lease agreements of public terminals. Port concessions or lease contracts, valid for 25 years extendable for an additional 25 years, are granted to companies selected by an open public bidding procedure. The selection criteria are composed of a combination of the highest operating and cargo-handling capacity (with volumes of cargo serving as the key reference), the lowest tariff to the end consumer or the shortest handling time at the dock (which is deemed to be important to unlock the current logistics bottleneck around the Brazilian coast and waterways) and other criteria established in the bid notice, pursuant to the applicable regulation. Bidding procedures shall be carried out by ANTAQ. Nevertheless, the Granting Authority may determine the transfer of the powers to prepare the bid notice and the performance of the bidding procedures to the port administration, delegated or not.

Lessees and operators authorized to operate port terminals must follow the following guidelines:

- ensure the expansion, modernization and optimization of the infrastructure in and around public ports and port facilities;
- ensure best prices and rates in the industry, the quality of the activity provided and the effectiveness of users' rights;
- stimulate the modernization and improvement of the management of ports and port facilities, including the development and training of port workforces;
- ensure navigation safety upon the entrance and exit of vessels from ports; and
- stimulate competition, through incentives for private sector participation, ensuring broad access to organized ports, port facilities and activities.

#### ***Raízen Energia (Sugar, Ethanol and Cogeneration)***

Raízen Energia is subject to several 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 activities.

We are subject to the regulations of the pollution control and remediation agencies of several Brazilian states, such as:

- Environmental Company of the state of São Paulo (*Companhia Ambiental do Estado de São Paulo—CETESB*);
- Environmental Agency of the State of Goiás (*Secretaria de Meio Ambiente, Recursos Hídricos, Infraestrutura, Cidades e Assuntos Metropolitanos—SECIMA*); and
- Environmental Institute of the state of Mato Grosso do Sul (*Instituto de Meio Ambiente do Mato Grosso do Sul—IMASUL*).

*Environmental Licensing of Raízen:* We operate mills, transport facilities and numerous warehouses. CONAMA is the government agency responsible for issuing rules and resolutions on environmental licensing at a national level. Environmental licensing is required for the development of new facilities and for alterations in existing operations. Environmental licenses must be periodically renewed.

*Sugarcane Burning:* The state of São Paulo and certain municipal governments have established laws and regulations that limit or eliminate the burning of sugarcane entirely. We have voluntarily signed the Agro-Environmental Sugarcane Protocol, which establishes accelerated deadlines for the reduction of sugarcane burning.

*Brazilian Forest Code:* We are subject to the Brazilian Forest Code, which prohibits land use in certain permanently protected areas, and obligates us to maintain and register a forest reserve in each of our rural landholdings covering from 20% to 80% of the total area of such land, known as “Legal Reserve.”

*Environmental Liabilities:* We are involved in certain administrative and judicial proceedings for alleged failure to comply with environmental laws and regulations (especially relating to environmental damages caused by sugarcane burning and contaminated areas). The Brazilian Federal Constitution provides for three different types of environmental liabilities: (i) civil, (ii) administrative and (iii) criminal. Non-compliance with environmental law is subject to administrative and criminal sanctions, regardless of the civil impacts such as the obligation to repair, compensate or indemnify any damages caused to the environment or third parties. Public Attorneys’ offices, foundations, state agencies, state-owned companies and environmental protection associations are all authorized by law to file public civil actions seeking compensation for environmental damages.

Federal Law No. 6,938/81 establishes strict liability for the recovery of environmental damages or, if not possible, compensation or indemnity for such damages, with joint and several liability established among all those who directly or indirectly contributed to environmental degradation, regardless of the degree of participation in the damage. Each of those involved may be held liable for the full amount of the damages. In other words, the environmental civil liability regime is based on strict liability, which means that one may be held liable irrespective of negligence, intention or fault. The only element that must be identified to impute liability is the causal link (or chain of causation) between the damage that has been caused and the acts (or omissions) that have occurred. Therefore, upon a suspicion that environmental damage has occurred, the acts that contributed to the occurrence thereof must to be examined.

According to prevailing legal opinion in Brazil, there is no statute of limitations for claims seeking compensation for environmental damages.

At the administrative level, environmental liability may be assigned by means of administrative sanctions that may include, among others: (i) fines of up to R\$50 million, adapted to the economic capacity and track record of the offender, in addition to the severity of the facts and past performance; (ii) demolition, suspension or interdiction of the activities; and (iii) withdrawal of tax incentives and benefits.

Federal Decree No. 6,514/2008 sets forth the infractions and administrative sanctions regarding environmental matters and the federal administrative procedure to investigate these infractions. Administrative sanctions include: (i) warnings; (ii) simple fines; (iii) daily fines; (iv) seizure of the animals, products and sub-products of fauna and flora; (v) product destruction; (vi) product sales and manufacturing suspension; (vii) closure of the plant or construction; (viii) construction demolition; (ix) full or partial suspension of the activities; and (ix) restriction of rights.

Criminal liability may arise depending on whether there was willful misconduct or gross negligence in the unlawful conduct of the agent. Pursuant to Brazilian law, both natural and legal persons can be subject to criminal liability. When liability accrues to legal persons, the individuals responsible for the decision that resulted in the criminal conduct (such as directors, officers, administrators, board members, members of technical committees, auditors, managers, agents or representatives) may also be penalized to the extent of their culpability. Criminal sanctions encompass imprisonment in the case of individuals, or dissolution, fines or certain restrictions of rights in the case of legal persons. Subject to the consent of the applicable environmental authority, fines may be replaced by an undertaking to take specific steps to redress the environmental damage. Enforcement of fines may be suspended upon a remediation of damages and settlement with environmental authorities.

*Sugar Regulation:* The Ministry of Agriculture, Livestock and Food Supply, or MAPA, is responsible for planning, coordinating, monitoring and assessing the implementation of governmental initiatives and programs related to the production of sugarcane and ethanol. All sugarcane processing mills must be duly registered with SAPCana (*Sistema de Acompanhamento de Produção Canavieira*), which is a system created and maintained by MAPA that registers all sugar and ethanol producing mills and ethanol trading companies and monitors the production of sugarcane, sugar and ethanol in Brazil. All registered mills must regularly submit (online) reports about the production, output and stock of sugar and ethanol, in accordance with Normative Instruction No. 52, of 12 November 2009 (the regulation that created SAPCana). The noncompliance with the rules established under the aforementioned Normative Instruction may subject the company to suspension or cancellation of the registration in SAPCana until irregularities are solved.

*Ethanol Regulation:* The Brazilian ethanol industry is also regulated by ANP which is a federal agency linked to MME. On April 29, 2011, a provisional measure was published in Brazil's Official Gazette, or the Provisional Measure No. 532/11, and changed ethanol status from an agricultural product to a fuel. While previously ANP was only responsible for the oversight of the distribution and sale of ethanol, since the publication of Provisional Measure No. 532/11, which was converted in law on September 16, 2011, the Law No. 12,490/12, the agency became responsible for the supervision of mills that produce sugarcane-based biofuel. In accordance with Law No. 12,490/12, and in order to regulate the ethanol industry, ANP published Resolution No. 26 of August 30, 2012, the Resolution No. 26/12, pursuant to which the production of ethanol which involves construction, capacity expansion, modification and operation of ethanol production plant, is subjected to prior authorization of ANP.

The performance of an activity without the proper authorization or with an expired authorization issued by ANP may subject the company to the following penalties, among others: (i) fine (from R\$50,000 to R\$200,000); (ii) prohibition to perform such activity while the company is not regular; (iii) temporary suspension of all or part of the site or operation of the facility; or (iv) annulment of the company's registration, pursuant to Decree No. 2,953, of January 28, 1999. These penalties may be applied cumulatively.

ANP's prior approval is required in case of: (i) rural lease, lease or total or partial assignment of the area that was previously authorized by ANP; or (ii) direct transfer of the authorization (in this case the new owner/assignee must comply with all technical, economical and legal requirements set forth by Resolution ANP No. 26/2012).

*Electricity Regulation:* The Brazilian power industry is regulated by ANEEL, a federal regulatory agency, in accordance with the general guidelines set forth by the Ministry of Mines and Energy.

In order to perform power generation activities, the power agent must obtain authorizations granted by ANEEL or execute concession and permission agreements with the Brazilian government through ANEEL. The activities related to generation and commercialization of electricity performed by Raízen Energia are subject to ANEEL's supervision. Pursuant to Law No. 9,427 dated December 26, 1996 and ANEEL's Resolution No. 63/2004, within the scope of its powers of inspection of electrical energy plants and services, ANEEL may impose penalties (including warnings, fines, temporary suspension of the right to participate in bidding procedures for new concessions, licenses or authorizations and forfeiture) on power industry participants based on the nature of its relation with the agency (concessionaires or agents who hold permission or authorization) and the materiality of the infraction. In case of fines, the limit of 2.0% of the revenue of the concessionaire in the 12-month period preceding any assessment notice must be respected or, for independent producers or self-producers (authorized agents), 2.0% of the estimated amount of energy produced in the same period. In addition, pursuant to ANEEL's Resolution No. 63/2004 some infractions may result in fines related to the failure of the agent in requesting ANEEL's prior approval to certain conduct, including the following:

- entering into certain related party transactions, pursuant to ANEEL's Resolution No. 699/2016;
- 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 permission, or the revenues of the electricity services;
- changes in corporate control of the holder of the authorization, permission or concession, as per terms of ANEEL's Resolution No. 484/2012; and
- as applicable, submit to ANEEL projects of electric works and plants and their modifications, as well as proceed with its execution in disagreement with the project approved and with the established scheduled.

With regards to the authorizations granted by ANEEL, there is no guarantee that they will be renewed, nor can we predict how the terms of any renewed authorizations may differ from the terms of authorizations currently in force. In addition, authorizations may be terminated prior to their stated termination date, among others, in the following situations:

- in the event that energy is generated in conditions which are contrary to either the authorization or to the applicable regulatory provisions;
- if there is noncompliance with the obligations and schedules provided under the authorization;
- in the event of transfer of the generation activities, assets and facilities to third parties without the prior and express consent of ANEEL;
- by request of the power agent; or
- in the event that the power plant is deactivated.

In the event that the fuel suppliers of the power generators are either unable or unavailable to comply with their respective contractual obligations, in whole or in part, the power generator may be subjected to any of the following: (i) default of its regulatory duties; (ii) temporary reduction of the available amounts of energy generated or capacity to generate energy; and (iii) difficulty in maintaining assets or projects. Furthermore, in case of lack of fuel by the power generator, it may be subject to fine, pursuant to ANEEL Resolution No. 583/2013.

Brazil has historically suffered from an energy supply crisis, due to its heavy dependence on hydroelectric energy and its prolonged periods of poor rainfalls. Poor rainfall scenarios may, at first, contribute to the expansion of thermal power production, with positive impacts for thermal power plants. However, under scenarios that are more adverse, the Brazilian federal government may impose energy rationing, thereby leading to a reduction in consumption by all consumers, which would have an adverse effect on the revenues of power plants.

*Controlled substances.* Certain laws and regulations require us to obtain from governmental authorities permits, licenses and certificates to use controlled substances in our activities. Decree No. 3,665, dated November 20, 2000, regulates the Brazilian Army control over explosive substances and establishes that those who manufacture, store or sell such substances are required to obtain a registration certificate, which must be periodically renewed. Law No. 10,357, dated December 27, 2001, sets forth that those who manufacture, store, handle, use and distribute chemical substances that could be employed in the manufacture of narcotics or psychotropic substances are subject to control by the Federal Police Department and shall obtain the required certificates, which must be periodically renewed. In parallel, state legislation empowers each state's respective Civil Police to grant licenses for use, storage, marketing, importation and exportation of certain chemical products, usually consisting of an inspection certificate and an operating license. The sanctions that can be imposed in case of noncompliance with the applicable regulations concerning controlled substances include warnings, fines, pre-interdiction fines, interdiction, apprehension of products, suspension, cancellation or forfeiture of the corresponding certificates and licenses.

*Sanitation Regulation.* The food industry is regulated by the National Agency of Health Surveillance (*Agência Nacional de Vigilância Sanitária*), or ANVISA, an independent federal regulatory agency, in accordance with the general guidelines set forth by the Ministry of Health. Activities related to the production and selling of standard sugars for human consumption are subject to ANVISA's supervision and local sanitary authorities' licensing. Law No. 6,437 dated August 20, 1977, as amended, governs the imposition of sanctions against participants in the food sector, which includes warnings, fines up to R\$1,500,000 (which may be doubled in case of repeated penalties), prohibition against production and/or sales, interdiction of the facilities, revocation of the sanitary permit for the facilities, seizure and/or destruction of products.

## **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.

According to Sindicom, the top-four distributors in Brazil are: Petrobras, operating through the BR Distribuidora brand, Ultrapar S.A., through the Ipiranga brand, Raízen, through Shell and AleSat Combustíveis S.A., a domestic Brazilian fuel distribution company. The main 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 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 past decade. 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 371 sugar mills and 137 company groups participating, according to UNICA and Novocana.

We also face competition from international sugar producers. According to UNICA, we are the largest sugar producer in Brazil and one of the largest sugar producers in the world with 4.2 million tons of sugar produced in the 2015/2016 harvest, compared to British Sugar (1.0 million tons of sugar produced in the 53-week period ended September 17, 2016) and Südzucker AG of Germany (4.1 million tons of sugar produced in the fiscal year ended February 29, 2016).

## **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 a privately owned firm focused on the genetic improvement of sugarcane. We benefit from their support services and use of their bio factory, which allows us to decrease the amount of time required for seedling production and grants 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 for the construction of new sugarcane mills.
- Raízen also invests in innovation in the ethanol manufacturing process. Raízen has an interest in Shell's commercialization rights of Iogen Energy, which conducts research into advanced fuels, including ethanol extracted from the cellulose of sugarcane and other plants.

## Seasonality

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 or drought, 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. During the third and fourth quarter of 2014, a severe drought affected the areas in which we operate.

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, particularly the business of Raízen Energia, is subject to seasonal trends based on the sugarcane growing and harvesting 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 quarter ended on December 31.

## Property, Plant & Equipment

For more information related to property, plant and equipment see note 11 to our unaudited combined consolidated financial statements for the six-month period ended September 30, 2016 and note 11 to our combined consolidated financial statements for the fiscal year ended March 31, 2016 included elsewhere in this offering memorandum.

We present a summary below of our material tangible fixed assets, including investment properties and intangible assets (concessions), by segment:

### *Raízen Combustíveis*

Raízen Combustíveis distributes fuels through 67 distribution terminals to 5,904 service stations throughout Brazil under the Shell brand and also has 62 airport terminals supplying aviation fuel.

### *Raízen Energia*

Raízen Energia operates 24 ethanol, sugar and energy cogeneration mills with a crushing capacity of 68 million tons per year and 940 MW of annual generation capacity. All of these facilities are located in the central and southeastern regions of Brazil, including 22 in the state of São Paulo, 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.

## Capital Expenditures

For an overview of our historical capital expenditures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Capital Expenditures."

## Employees and Union Relations

As of September 30, 2016, we had 30,546 employees. The following table sets forth the number of our total employees by segment for the dates indicated:

	As of September 30,	As of March 31,		
	2016	2016	2015	2014
Production .....	25,561	25,844	25,762	30,596
Administration .....	3,775	3,862	3,821	3,861
Operations .....	597	618	592	544
Supervisory .....	385	311	315	359
Management.....	185	170	166	194

	As of September 30,	As of March 31,		
	2016	2016	2015	2014
Executive officers .....	43	40	41	47
<b>Total</b> .....	<b>30,546</b>	<b>30,845</b>	<b>30,697</b>	<b>35,601</b>

We deduct mandatory union contributions from our employees' payroll and transfer these to the respective unions. We believe that we have good relations with our employees and the unions that represent them, and we have not experienced a strike or other labor slowdown since 1992. Collective bargaining agreements to which we are party have either one-year or two-year terms, are subject to annual renewal and are subject to changes in Brazilian law. We apply the terms of bargaining agreements entered into with the unions equally to unionized and non-unionized employees.

Our total annual payroll was R\$1,648.5 million for the fiscal year ended March 31, 2016, which included a provision for vacations, and bonuses, taxes and social contributions.

## Legal and Administrative Proceedings

### *Overview*

In the ordinary course of our business, we and our subsidiaries are parties to numerous judicial and administrative proceedings of a tax, civil, regulatory, environmental, criminal and labor nature, including proceedings with probable, possible and remote risks of loss.

Pursuant to the framework agreement which was entered into during the formation of the Raízen joint venture, we have agreed that we will reimburse our shareholders or will be reimbursed by them, as applicable, for any amounts received or paid in connection with legal proceedings, provided that the triggering events for such payments or receipts occurred before the formation of the Raízen joint venture on April 1, 2011 and provided that any such sums have actually been paid or received. See "Business—History—The Raízen Joint Venture."

As of September 30, 2016, we and our subsidiaries were party to proceedings with a probable risk of loss involving an aggregate amount of R\$1,001.1 million for which provisions have been made (including claims in the aggregate amount of R\$871.6 million subject to reimbursement by shareholders and non-reimbursable claims in the aggregate amount of R\$129.5 million). We were also party to proceedings for which our risk of loss was deemed possible, which involve an aggregate amount of R\$11,087.9 million and for which no provision has been made (of which R\$2,282.9 million relates to non-reimbursable amounts and R\$8,805.1 million is subject to reimbursement).

We constitute provisions for tax, civil, environmental and labor contingencies in which our risk of loss is considered probable in accordance with Brazilian GAAP and IFRS. Determination of the likelihood of loss includes determination of available evidence, hierarchy of laws, jurisprudence available, more recent court decisions and relevance thereof in legal system, as well as evaluation of internal and external attorneys. Such provisions are reviewed and adjusted to take into account changes in circumstances, such as statute of limitations applicable, tax inspection conclusions or additional exposures identified based on new matters or court decisions.

### *Civil claims*

As of September 30, 2016, we and our subsidiaries were parties to several civil proceedings which are related to, among other things, real estate rights, actions for possession, payments of sums due and indemnifications arising in relation with our activities and contracts.

As of September 30, 2016, we and our subsidiaries were parties to civil claims of an administrative or judicial nature with a probable risk of loss involving an aggregate amount of R\$188.4 million, for which provisions have been made. We were also party to civil proceedings for which our risk of loss was deemed possible, and involves an aggregate amount of R\$1,019.1 million and for which no provision has been made.

### *Environmental claims*

As of September 30, 2016, we and our subsidiaries were parties to environmental claims of an administrative or judicial nature, with a probable risk of loss involving an aggregate amount of R\$58.7 million, for which provisions

have been made. We were also party to environmental proceedings for which our risk of loss was deemed possible, and involves an aggregate amount of R\$45.2 million and for which no provision has been made.

These environmental claims relate to, among other things, environmental remediation works (including, for example, removal of contaminated materials, laboratory analyses and post-remediation monitoring) and burning of sugarcane plantations.

We have entered into a total of three consent orders (*Termos de Ajustamento de Conduta*) with Brazilian authorities (pertaining among other things to certain preservation areas and to matters relating to sugarcane) and in the event we fail to comply with such consent orders, we could be subject to fines.

We are under investigation in 58 civil inquiries relating to alleged burning of sugarcane plantations motivated by third parties without Raízen's consent (use of fire to facilitate harvests without due authorization from the environmental agency), pollution and damage to the environment and intervention in permanent preservation areas, among other issues.

In addition, we are under investigation in 13 police inquiries relating to the use of fire to facilitate harvests without due authorization from the environmental agency and soil contamination, among other issues.

#### *Labor claims*

We and our subsidiaries are also parties to a number of labor claims filed by former employees and service providers challenging, among other things, the payment of overtime, additional payments relating to dangerous or night time work, employment reintegration, break times during working days, certain work and rescission payments, the use of contractors for certain works, workplace accidents, moral and material damages, and compliance with health and safety standards, among other things. Moreover, we entered into certain consent orders (*Termos de Ajustamento de Conduta*) with Brazilian authorities (relating among other things to the outsourcing of sugarcane cutting as well as health and safety standards) and in the event we fail to comply with such consent orders, we could be subject to fines.

As of September 30, 2016, we and our subsidiaries were parties to labor claims of an administrative or judicial nature, with a probable risk of loss involving an aggregate amount of R\$237.7 million, for which provisions have been made. We were also party to labor proceedings for which our risk of loss was deemed possible, that we believe could have a financial impact on our business in an aggregate amount of R\$665.5 million and for which no provision has been made.

#### *Tax*

As of September 30, 2016, we and our subsidiaries were parties to tax claims of an administrative or judicial nature, with a probable risk of loss involving an aggregate amount of R\$516.4 million (of which R\$25.1 million relates to non-reimbursable amounts and R\$491.3 million relates to reimbursable amounts), for which provisions have been made. We were also party to tax proceedings for which our risk of loss was deemed possible, and involves an aggregate amount of R\$9,358.1 million (of which R\$1,772.4 million relates to non-reimbursable amounts and R\$7,585.7 million relates to reimbursable amounts) and for which no provision has been made.

#### ***Certain Material Legal Proceedings***

Below is a description of our principal proceedings:

- ***Corporate Income Taxes – Raízen Energia.*** The Brazilian federal tax authorities issued two tax assessments against Raízen Energia, seeking to collect corporate income taxes for the years 2006, 2007, 2008 and 2009 due to (i) write off of goodwill expenses; (ii) write off of tax losses' offset above 30% of the corporate income taxes' tax basis, as supposedly foreseen in law, and (iii) the taxation of revaluation reserve account. As of September 30, 2016, the aggregate amount under discussion is R\$408.9 million, including interest and a 150% fine, of which R\$213.2 million is classified with possible risk of loss and R\$195.8 million is classified as a remote risk of loss. Raízen Energia was notified of the partially favorable decision rendered by the Administrative Court of Tax Appeals to cancel item (iii) described above and reduce the fine from 150% to 75%. The company filed an appeal to the final level administrative court to discuss the remaining items. Tax authorities also filed an appeal to discuss the fine reduction. Both appeals are waiting for

judgment. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011. Accordingly, these amounts are subject to reimbursement by shareholders in the event of an adverse decision. No provision has been made for this proceeding in our combined consolidated financial statements.

- *Social Security Contributions.* In June 2010, Raízen Energia filed an ordinary action challenging the obligation to accrue the social security contributions' tax based on gross revenue. Currently, the case records are in the Court of Appeals awaiting the judgment of the appeal filed by the Brazilian federal government against a favorable first level decision. The risk of loss is classified as probable and as of September 30, 2016, we recorded provisions in connection with this proceeding in the aggregate amount of R\$239.8 million and have judicially deposited the same amount. The alleged underlying facts occurred both before and after the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts are subject to reimbursement by our shareholders for a portion of any loss in the event of an adverse decision.
- *Industrialized Products Tax.* The Brazilian federal government filed a tax enforcement action charging Industrialized Products Tax supposedly levied on the exit of sugar from Raízen Energia's establishments in 1996. As of September 30, 2016, the aggregate amount under discussion is R\$107.3 million. After Raízen Energia filed a motion to stay the tax enforcement action, the first level judge rendered a favorable decision and the Federal Union filed an appeal. The risk of loss is classified as possible. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts are subject to reimbursement by our shareholders. No provision has been made for this proceeding in our combined consolidated financial statements.
- *PIS and COFINS credits.* The Brazilian federal tax authorities issued tax assessment notices against Raízen Energia related to the allegedly undue use of credits of PIS and COFINS. The discussion refers to the credits taken from the costs and expenses with goods and services deemed by the company as inputs for its activities. In relation to the allegedly undue use of PIS and COFINS credits by Raízen Energia before the formation of the Raízen joint venture on April 1, 2011 (and, therefore, are subject to reimbursement by our shareholders in case of an adverse decision), we received tax assessment notices which are currently pending a decision of the second administrative trial court and other assessments is pending a decision in the lower administrative trial court. As of September 30, 2016, the aggregate amount involved in such proceedings is R\$655.9 million. In relation to the allegedly undue use of credits of PIS and COFINS by Raízen Energia and/or Raízen Combustíveis after the formation of the Raízen joint venture on April 1, 2011 (therefore, these amounts are subject to reimbursement by our shareholders in the event of an adverse decision), we have received tax assessment notices and these tax assessments are currently pending decision of the first administrative trial court. As of September 30, 2016, the aggregate amount involved in these proceedings is R\$136 million. Moreover, an additional claim was brought in November 2016 for a further R\$214 million, bringing the aggregate amount involved in these proceedings as of the date of this offering memorandum to a total of R\$350 million. The risk of loss is classified as possible in each case. No provision has been made for this proceeding in our combined consolidated financial statements.
- *Industrialized Products Tax.* Raízen Energia filed an offset request in August 1998 to the Brazilian federal tax authorities in order to offset debts, already included on an installment payment plan, with credits related to undue payments made by Raízen Energia in outputs of certain goods, as allowed by the Normative Instruction 67/98. The right to the credit was partially granted by the second administrative trial court. However, the calculation of the amount of credits is still pending in the first administrative trial court. As of September 30, 2016, the amount involved in this proceeding is R\$286.4 million. The risk of loss is classified as possible. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts are subject to reimbursement by our shareholders in the event of an adverse decision. No provision has been made for this proceeding in our combined consolidated financial statements.
- *ICMS – Diesel Oil.* The tax authority of the state of São Paulo issued tax assessment notices against Raízen Energia in order to charge ICMS. According to the tax authority, Raízen Energia did not reverse the credit appropriated on the acquisition of diesel oil as feedstock production, due to the output of oil diesel of the establishment in marketing operations. In addition, Raízen Energia allegedly failed to issue tax invoices and also issued tax invoices with mistaken ICMS amounts. In relation to the facts alleged to have occurred

before the formation of the Raízen joint venture on April 1, 2011 (our shareholders are required to reimburse us for a portion of any loss in case of an adverse decision), we have received tax assessment notices, in respect of one of which the second instance administrative court issued a decision partially favorable to the company. Raízen Energia is awaiting a decision of the special appeals court. As of September 30, 2016, the amount involved in this proceeding is R\$335.6 million. In relation to the facts which allegedly occurred after the formation of the Raízen joint venture on April 1, 2011 (therefore, these amounts are subject to reimbursement by our shareholders in the event of an adverse decision), we have received tax assessment notices, which are currently pending decision of the first and second administrative court. As of September 30, 2016, the amount involved in this proceeding is R\$326.1 million. The risk of loss is classified as possible in each case. No provision has been made for this proceeding in our combined consolidated financial statements.

- *ICMS – Jet fuel (Raízen Combustíveis)*: The state tax authority of Rio de Janeiro issued a tax assessment against Raízen Combustíveis in order to charge ICMS in operations involving jet fuel. Tax authorities argue that a tax incentive granted by the State of Rio de Janeiro was not constitutional, based on a decision rendered by the Brazilian Federal Supreme Court. The amount involved is R\$248.7 million as of September, 2016. The risk of loss is classified as possible. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts are subject to reimbursement by our shareholders in the event of an adverse decision. No provision has been made for this proceeding in our combined consolidated financial statements.
- *CIDE – Technical services (Raízen Combustíveis)*. Raízen Combustíveis filed a judicial lawsuit claiming that the Economic Intervention Contribution (“CIDE”) is not levied on payments remitted abroad in connection with the import of technical services which do not involve the transfer of technology. It currently awaits decision by the Brazilian Superior Court of Justice. The Brazilian federal tax authorities issued a tax assessment notice against Raízen Combustíveis in order to charge a part of the CIDE tax debt under dispute. The risk of loss is classified as probable. As of September 30, 2016, we recorded provisions in connection with this proceeding in the aggregate amount of R\$171.5 million and have also judicially deposited the same amount. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts are subject to reimbursement by our shareholders in the event of an adverse decision.
- *WHT – Technical Services (Raízen Combustíveis)*. The Brazilian federal tax authorities filed a judicial tax enforcement proceeding to charge WHT on payments made to a company domiciled in the Netherlands in connection with the rendering of technical services without the transfer of technology. The amount under dispute in the tax enforcement as of September 30, 2016 is R\$369.8 million and Raízen Combustíveis presented a guarantee insurance policy in order to continue to litigate. The risk of loss is classified as possible. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts are subject to reimbursement by our shareholders in the event of an adverse decision.
- *Corporate income taxes – Goodwill amortization (Raízen Combustíveis)*: The Brazilian federal tax authorities issued a tax assessment notice in order to charge corporate income taxes for the years 2004 to 2006 and penalties due to the deductibility of goodwill amortization expenses triggered by the merger of Enterprise Oil Ltda. by Shell Brasil Ltda. (currently denominated Raízen Combustíveis). After a decision at the final level administrative tax courts, the proceeding returned to the first tier administrative tax courts for a new decision. The amount under dispute is R\$656.2 million as of September 30, 2016. The risk of loss is classified as possible. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts are subject to reimbursement by our shareholders in the event of an adverse decision. No provision has been made for this proceeding in our combined consolidated financial statements.
- *PIS and COFINS offsets (Raízen Combustíveis)*. The Brazilian federal tax authorities filed a tax assessment to charge PIS and COFINS for the years of 2006 to 2009 in connection with not authorizing offsets of tax debts made by Raízen Combustíveis. Raízen Combustíveis obtained a partially favorable decision from the first tier administrative court, and the tax authorities filed an appeal to the second tier administrative court. The amount under dispute as of September 30, 2016 is R\$463.9 million. The risk of loss is classified as possible. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1,

2011 and, therefore, these amounts are subject to reimbursement by our shareholders in the event of an adverse decision. No provision has been made for this proceeding in our combined consolidated financial statements.

- *PIS and COFINS (Raízen Combustíveis)*. The Brazilian federal tax authorities filed a judicial tax enforcement proceeding in order to charge PIS and COFINS debts originated from refund and offsetting claims made by Raízen Combustíveis. The amount under dispute as of September 30, 2016 is R\$252.1 million and Raízen Combustíveis presented a guarantee insurance policy in order to litigate. The risk of loss is classified as possible. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts are subject to reimbursement by our shareholders in the event of an adverse decision. No provision has been made for this proceeding in our combined consolidated financial statements.
- *Labor Civil Public Action No. 0000642-29.5-01.003*. Raízen Paraguaçu Ltda. (formerly known as Raízen Tarumã Ltda.), among other defendants, is a party to a civil public action filed by the Labor Prosecutor's Office of the city of Rio de Janeiro in the state of Rio de Janeiro relating primarily to the following matters: (1) exposure of employees to conditions that are allegedly degrading, (2) alleged irregularities in the outsourcing practices of the companies, (3) alleged non-compliance with health and safety regulations and rules relating to working hours. The risk of loss is classified as possible. Should the proceedings be decided against us, this may result in us being barred from outsourcing certain core activities, an obligation to comply with certain health and safety rules as well as rules applicable to employees' working time, the imposition of pecuniary fines in case of non-compliance and indemnification for the violation of employees' rights in an amount of R\$9.5 million. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts are subject to reimbursement by our shareholders for a portion of any loss in the event of an adverse decision. No provision has been made for this proceeding in our combined consolidated financial statements.
- *Labor Civil Public Action No. 22200-28.2007.5.15.0126*. Raízen Combustíveis is one of the defendants in a public labor action filed by, among others, the Labor Prosecutor's Office relating a claim for compensation for environmental damages and related lifelong healthcare coverage of former employees (and their dependents) of a chemical plant in the city of Paulínia in the State of São Paulo which previously belonged to a Shell entity and was later sold to BASF. There is no applicable risk of loss, since the case has already been settled. The terms of the settlement, approved by the Superior Labor Court in April 2013, include, with regards to Raízen the payment of R\$307.9 million in damages (of which R\$258 million has already been paid as of September 30, 2016) plus full lifetime healthcare to a group of 1,195 individuals (which we currently estimate cost of compliance to be approximately R\$242 million). The underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and the proceeding is therefore subject to reimbursement by a certain Shell entity, as provided for in the framework agreement. No provision has been made for this proceeding in our combined consolidated financial statements.
- *ICMS* – The tax authorities of the state of São Paulo issued a tax assessment notice against Raízen Energia in order to collect ICMS debts and impose penalties due to (i) the alleged acquisition and sale of goods without proper registration of these transactions in the company's tax books in the years of 2009 and 2010 and (ii) the alleged non-registration in the proper entry book of invoices issued as a result of the symbolic return of goods deposited in warehouses. A first instance decision was issued ruling partially in favor of the company to cancel item (i) described above. The company and the tax authorities presented appeals to the State Council of Tax Payers. In October 2016, a court decision was issued confirming the first decision and also reducing the penalties in connection with item (ii) by 90%. The tax authorities presented a special appeal against this decision, which is currently awaiting judgment. The total amount involved is R\$468.2 million. With respect to the amount involved, the risk of loss is classified as remote for R\$418.1 million and as possible for the other R\$50.1 million. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011. Accordingly, these amounts are subject to reimbursement by shareholders in the event of an adverse decision. No provision has been recorded for this proceeding in our financial statements.

### ***Judicial Deposits***

In accordance with court orders concerning certain legal proceedings, we have made judicial deposits in an aggregate amount of R\$314.6 million as of September 30, 2016.

### ***Criminal Investigations Involving Raízen Combustíveis***

Raízen Combustíveis is currently the subject of a criminal investigation, which commenced with an administrative proceeding before CADE in 2009 against certain resellers and distributors. The proceeding is related to the alleged artificial price fixing of fuel and the formation of a cartel among fuel distributors and resellers in the Brazilian Federal District in order to establish regional market control. In 2010, the CADE issued an opinion that alleged the existence of cartels within the sector. In November 2015, the Brazilian federal police executed search and seizure warrants against certain resellers and fuel distributors, including Raízen Combustíveis at its distribution terminal in Brasília. Raízen Combustíveis is cooperating with Brazilian authorities in connection with the investigation, which is currently ongoing. As of the date of this offering memorandum, no individual (including gas station owners) indicted in connection with the investigation has any relationship or affiliation with Raízen Combustíveis. In the event formal criminal proceedings are instituted Raízen Combustíveis or any of its employees determined to have been involved in the misconduct may be subject to penalties, including fines or imprisonment. In the opinion of counsel responsible for Raízen Combustíveis' defense, the likelihood that a decision favorable to Raízen Combustíveis is rendered in connection with this investigation is probable. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011.

Certain members of our management are also parties to criminal proceedings. For further information on such proceedings, please see "Management— Criminal Proceedings Involving Members of Our Management."

## MANAGEMENT

Our board of directors and our executive officers are responsible for the operation of our business, as described below. For information on the management of the Issuer, see “The Issuer.”

### Board of Directors

Our board of directors consists of three directors nominated by Cosan and three directors nominated by Shell. The chairman of Cosan, Rubens Ometto Silveira Mello, is the chairman of our board of directors. Cosan and Shell have each designated a shareholder representative who is responsible for determining the Raízen joint venture’s strategic priorities and resolving any deadlock within the board of directors.

Our board of directors is the decision-making body responsible for, among other things, determining policies and guidelines for our business. The board of directors also supervises our executive officers and monitors their implementation of policies and guidelines established from time to time by our board of directors.

The members of our board of directors are elected for three-year terms at general meetings and are eligible for reelection. Members of our board of directors are subject to removal at any time with or without cause at a general meeting of shareholders. Our bylaws do not include any citizenship or residency requirements for members of our board of directors.

The following table sets forth certain information related to the current members of our board of directors:

Name	Date of Election	Position Held
Rubens Ometto Silveira Mello .....	July 25, 2014	Chairman
Marcos Marinho Lutz .....	July 25, 2014	Member
Marcelo Eduardo Martins .....	July 25, 2014	Member
John Charles Abbott .....	July 25, 2014	Member
Bjorn Alexander Fermin .....	July 25, 2014	Member
Istvan Kapitany .....	July 25, 2014	Member

The following is a summary of the business experience of the current members of our board of directors. The business address of each of the members of our board of directors is Av. Presidente Juscelino Kubitschek, 1327 – 5th floor, São Paulo, SP 04543-000, Brazil.

*Rubens Ometto Silveira Mello.* Mr. Mello is the chairman of our board of directors. He is also the CEO and chairman of Cosan Limited. 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, officer of Cosan Portuária 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, Companhia de Gas de São Paulo, or Comgás, and Raízen. He also holds the position of director of UNICA. 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.

*Marcos Marinho Lutz.* Mr. Lutz is a member of our board of directors. He was an executive officer of Cosan Limited from November 2009 through April 2015. Mr. Lutz holds a naval engineering degree from Escola Politécnica of the University of São Paulo and a master’s degree in business administration from Kellogg Graduate School of Management, Northwestern University. From 2002 to 2006, Mr. Lutz was the executive officer of infrastructure and energy at CSN (SID) and a board member of MRS Logística, CFN Railways and Itá Energética. Before that, Mr. Lutz was the chief operating officer at Ultracargo S.A., the logistics affiliate of the Ultra Group.

*Marcelo Eduardo Martins.* Mr. Martins is a member of our board of directors. Mr. Martins also holds the position of chief financial and investor relations officer of Cosan Limited and serves on Cosan Limited’s board of directors. His duties include identifying acquisition opportunities and implementing takeovers as well as business development activities for which the company may have strategic interest in the future. He has a degree in business administration from the FGV, majoring in finance. In July 2007, Mr. Martins was appointed an 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 (currently 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.

*John Charles Abbott.* Mr. Abbott is a member of our board of directors. He is also the Downstream Director and a member of the Executive Committee of Royal Dutch Shell plc. Mr. Abbott joined Shell in 1981 after graduating from Birmingham University, UK, with a first-class honors degree in Chemical Engineering. Mr. Abbott has since worked for the Shell group in the United Kingdom, Singapore, Thailand, the Netherlands, Canada, and the USA, predominantly in the areas of Global Manufacturing and Supply, Trading and Distribution. In 1994, he was seconded to the British Government on a brief assignment to work in the Central Policy and Planning Unit of the Department of the Environment. In 2006, Mr. Abbott was appointed Vice President of Manufacturing Excellence and Support at the Shell group, based in Houston, U.S. In this role, he led the development and implementation of processes, standards and improvement initiatives across Shell's global manufacturing portfolio. In 2008, he became Executive Vice President of Shell's Upstream Americas Heavy Oil business, based in Calgary, Canada. In 2012, Mr. Abbott was appointed Executive Vice President of Global Manufacturing at the Shell group. Working out of Houston, he led a team of some 30,000 employees and contractors based at around 30 refineries and chemical sites worldwide. Mr. Abbott is a Fellow member of the Institution of Chemical Engineers, as well as a chartered engineer and chartered scientist.

*Bjorn Alexander Fermin.* Mr. Fermin is a member of our board of directors and has held the position of Executive Vice President of Financial Downstream at the Shell group since 2014. He has 27 years of experience with Shell in both upstream and downstream fuel businesses, including experience in the transport and commercial aspects thereof.

*Istvan Kapitany.* Mr. Kapitany is a member of our board of directors. He holds the position of Executive Vice-President of Global Retails of the Shell group since April 2014 and has 27 years of experience in the downstream fuel business.

## Executive Officers

Our board of executive officers serves as our executive management body. It is 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 board of executive officers must comprise a minimum of four and a maximum of eight officers, with at least one Chief Executive Officer, one Operations Officer, one Chief Financial Officer, and one Executive Officer (with the remaining officers receiving specific designations granted by the board of directors). Our executive officers are elected for a term of three years (except for our Chief Executive Officer who is elected for a term of two years), and are eligible for reelection.

The following table sets forth certain information related to our current executive officers:

Name	Date of Election	Position Held
Luis Henrique Clas de Beauclair Guimarães .....	April 1, 2016	Chief Executive Officer
Guilherme José de Vasconcelos Cerqueira.....	June 25, 2014	Chief Financial Officer and Officer for Investor Relations
João Alberto Fernandez de Abreu .....	April 1, 2016	Chief Operating Officer
José Leonardo Martin de Pontes.....	June 6, 2015	Officer
Pedro Isamu Mizutani.....	June 25, 2014	Officer
Ricardo Dell Aquila Mussa .....	January 2, 2017	Officer
Antonio Ferreira Martins .....	September 1, 2014	Chief Legal Officer

The following is a summary of the business experience of our executive officers who are not members of our board of directors.

*Luis Henrique Clas de Beauclair Guimarães.* Mr. Guimarães became chief executive officer of the Raízen joint venture on April 1, 2016. He was formerly the chief executive officer of Comgás, and after that the Fuels Operational Officer and responsible for the Raízen joint venture's Downstream division, which covers the retail, commercial and aviation businesses. Mr. Guimarães joined Shell in 1987 and worked in several positions in the lubricants and retail businesses in Brazil and abroad (based in London). From 2007 until September 2010, he served as Shell's Chief Marketing Officer for Lubricants in North America, based in Houston.

*Guilherme José de Vasconcelos Cerqueira.* Mr. Cerqueira is the chief financial officer and officer for investor relations of the Raízen joint venture. Since 1989, Mr. Cerqueira has held several positions within the Shell group, including management positions at Shell International Ltd., in London, United Kingdom, between 2004 and 2007. At Raízen, he held the position of controller from Raízen's creation in April 2011 until April 2014, when he became chief financial officer responsible for finance, contracting, procurement and investor relations. Mr. Cerqueira led the team responsible for the issuance of Raízen's first asset-backed bond (Agriculture Receivable Security) at the end of October 2014 which opened the market for the whole industry: the transaction gathered interest from over 2,000 investors and raised R\$675 million. He has a bachelor's degree in Mechanical Engineering from the Universidade Federal do Rio de Janeiro. He also holds an MBA from COPPEAD.

*João Alberto Fernandez de Abreu.* Mr. Abreu has a bachelor's degree in production/mechanical engineering from Pontifícia Universidade Católica in Rio de Janeiro and a MBA from Fundação Dom Cabral. He also took extensive courses in business at the University of Pennsylvania. At Shell group, which he joined in 1994, Mr. Abreu worked for 18 years at Shell in England and Argentina, and in positions such as General Manager of Network in Latin America and General Manager of Sales and Operations in Brazil. He was Executive Director and member of the board of directors at Petróleo Sabbá, an affiliate of Raízen which operates in northern Brazil, and is currently a member of the board of directors of Iogen Energy. In 2012 Mr. Abreu became Bioenergy Director and Chief Technology Officer. He was responsible for the development and implementation of the first integrated cellulosic ethanol plant worldwide. In 2014, he became agroindustrial executive director at Raízen.

*José Leonardo Martin de Pontes.* Mr. Pontes is the Executive Officer for fuels distribution at Raízen Combustíveis. Prior to holding this position, he was the executive Director for Logistics, responsible for all the fuels operations in Brazil and global ethanol and sugar operations. From 2011 to 2013 he had occupied the B2C and B2B commercial direction. Mr. Pontes has a bachelor's degree in Business Administration with an emphasis on Finance by Rio de Janeiro State University and post graduate degrees in Strategy, Negotiation and Leadership from the universities of Cranfield, Harvard and INSEAD, respectively. Mr. Pontes has 17 years of experience in the fuels and energy markets. At Shell group, which he joined in 1997, he worked for 13 years in Brazil and Europe in several positions, including positions relating to global fuels pricing strategy, commercial and business development and strategic planning. In 2009 he led the retail strategy and business development general management for Latin America.

*Pedro Isamu Mizutani.* Mr. Mizutani has been a member of Cosan's board of directors since 2000. He has served as Cosan's managing director since 2001, and served as Cosan's chief operating officer until June 2011. Currently Mr. Mizutani is Raízen's Vice President for Institutional Relations. 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, 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 administrative and financial director of the Cosan group.

*Ricardo Dell Aquila Mussa.* Mr. Mussa manages logistics, supply and distribution for the Raízen joint venture since January 2017. Mr. Mussa was the chief executive officer of Cosan Lubrificantes. He has a degree in production engineering from Escola Politécnica da Universidade de São Paulo (USP). Mr. Mussa held various positions within the supply chain of multinational companies such as Unilever and Danone, especially in the agricultural commodities procurement area. He was the country logistics manager for Danone in 2007 and manufacturing manager at Unilever's main cosmetic factory in Latin America between 2006 and 2007. While at Unilever, he also held the role of director of global purchases of grease and oils and was responsible for the purchase of agricultural commodities in over 25 countries. In 2002, Mr. Mussa moved to Unilever - USA, in Connecticut, where he worked in the strategic purchasing department, being responsible for the purchase of chemicals for Latin

America, and held positions in the planning area. He joined Cosan in 2007 and was one of the founders of Radar, our subsidiary dedicated to investment in and management of agricultural land with high appreciation potential; he also held the position of chief executive of Radar for five years. In 2014, Mr. Mussa took over the Cosan Lubrificantes business.

*Antonio Ferreira Martins.* Mr. Martins has worked in several companies from the Shell group for more than 20 years (since 1989). He has previously held counsel positions in other companies and in private practice law firms.

### **Criminal Proceedings Involving Members of Our Management**

Certain members of our management are parties to criminal proceedings, as follows:

#### ***Mr. Rubens Mello***

Mr. Rubens Ometto Silveira Mello, in his capacity as a representative of Usina da Barra S.A. – Açúcar e Álcool (the predecessor entity of Raízen Energia), was named a defendant, together with Usina da Barra S.A. – Açúcar e Álcool, in a complaint filed on September 24, 2007 alleging the crimes of disobedience and pollution in connection with the burning of sugarcane by the company in contravention of a judicial decision in a public civil class action. In his motion, Mr. Mello pleaded (1) the illegitimacy of his status as a defendant given that he did not participate in the alleged conduct and was not the owner or lessor nor did he exercise control over the area in which the alleged conduct took place, (2) the failure of the alleged conduct to constitute a crime, given that the notice regarding the prohibition against the burning of sugarcane was not given by a competent authority, and (3) that the right to the controlled burning of sugarcane in the region was re-established in the context of the public civil class action. The motion was granted in part in relation to the suspension of the criminal proceeding until the rendering of a final judgment in the public civil action. While the statute of limitations with respect to the crime of pollution was tolled, the statute of limitations with respect to the crime of disobedience has expired. Accordingly, the complaint with respect to the crime of pollution was remanded to the state authorities in order for the investigations to continue. As of the date of this offering memorandum, this criminal proceeding remains suspended pending a final decision in the related public civil class action as to whether the crime of pollution was in fact committed. If the criminal proceeding is permitted to proceed, Mr. Mello may be subject to criminal penalties, including community service and monetary fines. In the opinion of counsel responsible for Mr. Mello's defense, compelling legal arguments exist that would support the dismissal of the charges against Mr. Mello.

#### ***Mr. Rubens Mello and Mr. Guilherme Cerqueira***

Mr. Cerqueira, an executive officer of Raízen Centroeste Açúcar e Álcool Ltda., and Mr. Mello, while an executive officer of Raízen Centroeste Açúcar e Álcool Ltda. (formerly known as Cosan Centro-Oeste Açúcar e Álcool Ltda.), were named defendants, together with Raízen Centroeste Açúcar e Álcool Ltda. in a complaint filed on July 20, 2011 alleging artificial price fixing of fuel and the formation of a cartel with the purpose of establishing regional market control. In their defense, Mr. Mello and Mr. Cerqueira maintain that their status as defendants in the proceeding is not proper given the lack of proof of their involvement in the alleged illicit acts. Mr. Mello and Mr. Cerqueira also maintain that the increase in the price of ethanol resulted solely from market forces (*i.e.*, that the increase in the price of ethanol did not result from criminal conduct, but rather the lawful exercise of a recognized constitutional right, the right of free enterprise). In the event the criminal proceeding is permitted to proceed, Mr. Mello and Mr. Cerqueira may be subject to criminal penalties, including the inability to serve as a director, in the case of Mr. Cerqueira, and a member of the board, in the case of Mr. Mello, of our Company. Mr. Mello and Mr. Cerqueira were summoned and presented their defense, which is awaiting review and analysis. In the opinion of counsel responsible for Mr. Mello and Mr. Cerqueira's defense, the likelihood of a decision favorable to Mr. Mello and Mr. Cerqueira is probable.

#### ***Mr. Pedro Mizutani, Mr. Rubens Mello, Mr. Marcos Lutz, Mr. Marcelo Martins, Mr. Guilherme Cerqueira and Raízen Energia S.A.***

Mr. Mizutani, Mr. Mello, Mr. Marcos Marinho Lutz and Mr. Marcelo Eduardo Martins, in his capacity as executive officer of Raízen Energia S.A. (formerly known as Cosan S.A. Açúcar e Álcool), was named defendant, together with Raízen Energia S.A., in two criminal complaints that were filed on August 28, 2014 and October 29, 2014, and were subjects of five police inquiries that were commenced on November 3, 2011, February 18, 2011, February, 2, 2012, August, 20, 2012, and August, 8, 2015, to determine whether the companies (and its executive

officers) committed tax evasion in connection with the alleged failure by those companies to adequately pay state value added taxes (ICMS).

The determination as to whether outstanding taxes are in fact due is at issue in a separate tax collection enforcement proceeding that is independent of the criminal proceeding and police inquiries. Bank letters of credit and insurance guarantees have been deposited with the relevant court in order to secure the amount in dispute. Such deposits have generally been interpreted by the Brazilian courts to eliminate criminal liability given that there would no longer exist a direct or indirect risk of harm to the public treasury and the allegedly illicit conduct of the defendants would no longer constitute a crime. In view of the foregoing, the defense filed a motion requesting that the criminal proceedings (which are currently suspended) be terminated for lack of cause. With regards to the police inquiries, one inquiry is suspended pending a judicial determination in connection with the corresponding tax collection enforcement proceeding. The remaining inquiries are the subject of ongoing police investigations despite bank guarantees having been filed with the relevant court.

The charges could subject the defendants to criminal penalties and monetary fines. In the opinion of counsel responsible for the defense, it is not possible to estimate the likelihood that the police inquiries will be suspended or terminated. Nevertheless, the presentation of certain defenses, such as a lack of intent or the failure to prove that the public treasury was harmed, may result in the suspension or termination of these inquiries and/or any resulting criminal proceeding. In any event, the payment of the amount in dispute would terminate any criminal liability.

### **Family Relationships**

As of the date of this offering memorandum, the members of our board of directors and our executive officers do not have any family relationships among themselves, with the members of the boards of directors of our subsidiaries, with our controlling shareholder or with the boards of directors of our subsidiaries.

### **Compensation**

The aggregate compensation paid to members of our board of directors and executive officers during the year ended March 31, 2016 was R\$105.8 million. At the annual shareholders' meeting of Raízen Energia held on July 29, 2016, the aggregate amount of compensation for the year ended March 31, 2017 was set by resolution at R\$35.2 million (subject to performance-based adjustments). At the annual shareholders' meeting of Raízen Combustíveis held on August 23, 2016, the aggregate amount of compensation for the year ended March 31, 2017 was set by resolution at R\$35.2 million (subject to performance-based adjustments).

## PRINCIPAL SHAREHOLDERS

### Issuer

Raizen Fuels Finance S.A. is a wholly-owned subsidiary of Raízen Energia. For further information on the Issuer, see “The Issuer.”

### Raízen

#### *Raízen Combustíveis*

As of September 30, 2016, Raízen Combustíveis’ issued and outstanding share capital was R\$1,843,719,721.76, fully issued and paid-in comprising 1,661,418,472 common shares and 1 Class A preferred share, 93,648,276 Class B preferred shares, 8,437,012 Class C preferred share, 100,000,000 Class D preferred shares and 174,038,252 Class E preferred shares, all nominative and without nominal value. There has been no change in our share capital since September 30, 2016.

Cosan and its subsidiaries and Shell and its affiliates likewise each own 50% common equity interest in Raízen Combustíveis. Furthermore, Cosan and its subsidiaries own 50% minus one of the voting shares, whereas Shell and its affiliates own 50% plus one share 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 Energia*

As of September 30, 2016, Raízen Energia’s issued and outstanding share capital was R\$6,516,353,969.58, fully issued and paid-in comprising 7,243,283,198 common shares and 1 Class A preferred shares, 133,242,457 Class B preferred shares, 663,476 Class C preferred shares and 100,000 Class D preferred shares, all nominative and without nominal value. There has been no change in our share capital since September 30, 2016.

Cosan and its subsidiaries and Shell and its affiliates each own 50% common equity interest in Raízen Energia. In addition, Cosan and its subsidiaries own 50% plus one share of the voting shares (and preferred shares bearing preferential dividend rights in certain circumstances), whereas Shell and its affiliates own 50% minus one share of Raízen Energia’s voting shares.

### Agreements between Cosan and Shell

Cosan and Shell have entered into other definitive agreements concerning the scope of the Raízen joint venture, the governance and management of the Raízen joint venture and the granting of reciprocal put and call options concerning their interests in the Raízen joint venture.

#### *Shareholders’ Agreement*

The shareholders’ agreements for Raízen Energia and Raízen Combustíveis were entered into on June 1, 2011. On November 22, 2016, Cosan and Shell executed an amendment to certain agreements between them to remove the fixed date call options over Raízen Energia and Raízen Combustíveis shares exercisable in 2021 and 2026 and replace them with certain call options exercisable by Shell or Cosan in specific circumstances. Moreover, Cosan and Shell agreed to renew the existing lock up period for five years from the date of the execution of the amendment, following which the parties may sell their shares in each of Raízen Energia and Raízen Combustíveis subject to compliance with certain preemption rights in each other’s favor.

The shareholders’ agreements for Raízen Energia and Raízen Combustíveis establish the scope and governance of the Raízen joint venture, as well as its dividend policy. The agreements provide that the scope of the Raízen joint venture is the global production of sugarcane-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 Raízen joint venture as long as they remain shareholders of the Raízen joint venture (subject to customary exceptions).

The shareholders’ agreement provides that the Raízen joint venture will be governed by the boards of directors 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 boards of directors require a quorum of two-thirds of the members designated by Cosan and two-thirds of the members designated by Shell, and are generally made by a majority of the members present and voting at the relevant meeting. 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 Raízen joint venture and amending and updating the Raízen 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 Raízen 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 Raízen joint venture, Cosan or Shell;
- selling, assigning, transferring or encumbering assets of the Raízen 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 Raízen 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 Raízen joint venture securities or any option relating to any Raízen joint venture securities, subject to certain exceptions;
- approving the credit limits or the extension of credit to any customer of the Raízen joint venture in excess of a specified amount; and
- entering into, amending, terminating or renewing any insurance policy.

If the board of directors 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 is to be taken or effected and the *status quo* shall prevail.

Additionally, certain matters require the consent of the shareholders of the Raízen joint venture. These matters include, but are not limited to, removal of any member of a board of directors; approval of board of directors 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 Raízen 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 day-to-day management of the Raízen 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 board of directors.

#### *Joint Venture Agreement*

The joint venture agreement was entered into on June 1, 2011, and amended on November 22, 2016, between Cosan, Cosan Limited, Raízen Combustíveis, Raízen S.A., Shell, Shell Overseas Holdings Limited and Raízen Energia S.A. The joint venture agreement sets forth the rights and obligations of each shareholder in respect of Cosan's and Shell's interest in the Raízen joint venture and establishes certain options whereby Cosan or Shell may acquire the other shareholder's interest in the Raízen joint venture, certain lock-up provisions, rules governing the intra-group transfers regarding to the economic group of Cosan and Shell, and remedies for fundamental breaches of the documentation governing the incorporation and operation of the Raízen joint venture.

In November 2016, Cosan and Shell executed amendments to certain agreements between them to remove the fixed date call options over Raízen Energia and Raízen Combustíveis shares exercisable in 2021 and 2026 and replace them with certain call and put options exercisable by Shell or Cosan in certain circumstances, including, among others: (i) fundamental breaches of the obligations provided for in the agreements governing the Raízen joint venture; (ii) breach of anticorruption laws, (iii) insolvency or bankruptcy of a party, (iv) change of control, and (v) in the event of the death or disability of Cosan's current Chairman, Mr. Rubens Ometto Silveira Mello. Moreover, Shell and Cosan agreed to renew the existing lock up period for five years from the date of the execution of the amendment, following which the parties may sell their shares in each of Raízen Energia and Raízen Combustíveis subject to compliance with certain preemption rights in each other's favor.

## RELATED PARTY TRANSACTIONS

### Our Related Party Transactions Policy

Our policy requires us to only enter into related party transactions in the ordinary course of our business on an arm's length basis and according to prevailing market terms.

Our procedures for analyzing potential transactions with related parties complies with the Brazilian Corporations Law, which prevents directors and officers from: (1) undertaking any gratuitous acts using our assets to our detriment; (2) receiving, due to their position, whether directly or indirectly, any benefits from third parties without being so authorized by the Company's bylaws or by shareholders' resolution taken at general meetings; and (3) intervening in any corporate transactions in which his or her interests conflict with those of the Company, or in deliberations among the directors with regards to such matters.

Our related party transactions principally consist of intra-group agreements with members of the Cosan group and of the Shell group. As of the date of this offering memorandum, we do not have any loans or other financing agreements with any of our directors or executive officers. For further information regarding our principal related party transactions please see note 9 to our unaudited combined consolidated financial statements for the six-month period September 30, 2016 included elsewhere in this offering memorandum. Certain of our key related party transactions or relationships are described below.

### Principal Related Party Transactions

#### *Framework Agreement*

The framework agreement was entered into on August 25, 2010 between Cosan, Cosan Distribuidora de Combustíveis S.A., Cosan Limited, Houches Holdings S.A., Shell Brasil Limitada, Shell, Shell Overseas Holdings Limited and Milimétrica Participações S.A. The framework agreement regulates certain matters related to the incorporation of the Raízen joint venture, provides certain representations and warranties in respect of the assets that were transferred to incorporate the Raízen joint venture, and sets out certain indemnification obligation of the parties.

Pursuant to the framework agreement, we have agreed that we will reimburse our shareholders or will be reimbursed by them, as applicable, for certain amounts received or paid in connection with legal proceedings, provided that the triggering events for such payments or receipts occurred before the formation of the Raízen joint venture on April 1, 2011 and provided that any such sums have actually been paid or received.

The table below sets forth a summary of our balances with related parties pursuant to the framework agreement:

	As of September 30,		As of March 31,	
	2016(a)	2016	2016(a)	2016
	(in U.S.\$)	(in R\$)	(in U.S.\$)	(in R\$)
	(in millions)			
<b>Assets:</b>				
Shell Brazil Holding B.V.....	223.8	726.5	156.6	508.4
Cosan S.A. Indústria e Comércio.....	105.3	341.9	100.0	324.7
Shell Brasil Petróleo Ltda. ....	13.4	43.4	12.3	39.9
Other.....	2.1	6.8	2.8	9.1
<b>Total Assets</b> .....	<b>344.6</b>	<b>1,118.6</b>	<b>271.7</b>	<b>882.1</b>
<b>Liabilities:</b>				
Cosan S.A. Indústria e Comércio.....	327.2	1,062.0	326.2	1,059.0
Shell Brasil Petróleo Ltda. ....	22.1	71.9	22.1	71.7
Shell Brazil Holding B.V.....	17.0	55.3	14.9	48.4
Other.....	0.1	0.4	0.1	0.2
<b>Total Liabilities</b> .....	<b>366.5</b>	<b>1,189.6</b>	<b>363.3</b>	<b>1,179.3</b>

(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 U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 per U.S.\$1.00. 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.

For more information, see Notes 8 and 16.a to our combined consolidated interim financial information.

***Committed Back-up Credit Facility Agreement***

On May 10, 2013, Raízen Energia, as borrower, entered into a committed back-up credit facility agreement with Cosan and Shell Finance (Netherlands) B.V., as lenders, in an amount of U.S.\$500 million, herein referred to as the Committed Back-up Credit. The Committed Back-up Credit was amended and restated on December 20, 2016, with the amount thereof being increased to U.S.\$700 million. This credit facility bears interest at the LIBOR rate *plus* 2.25% per annum, charges a commitment fee of 0.675% per annum and matures in May 2018. As of September 30, 2016, no disbursements had been made under this credit facility.

The Committed Back-up Credit contains customary covenants (such as compliance with law) and events of default (such as cross-default in principal amount in excess of U.S.\$100 million).

## DESCRIPTION OF THE NOTES

In this Description of the Notes, the terms “Issuer” refers to Raízen Fuels Finance S.A., “Raízen Combustíveis” refers to Raízen Combustíveis S.A., “Raízen Energia” refers to Raízen Energia S.A., “Guarantor” refers to each of Raízen Combustíveis and Raízen Energia and any successor obligor on the notes or the relevant guarantee, respectively, and not to any of their Subsidiaries or Affiliates. You can find the definitions of certain terms used in this description under “—Certain Definitions.”

The Issuer issued the notes under an indenture dated as of January 20, 2017 by and between, among others, the Issuer, Raízen Combustíveis and Raízen Energia and U.S. Bank National Association, as trustee. The terms of the notes include those provided in the indenture, as amended or supplemented.

This description of the notes is intended to be a useful overview of the material provisions of the notes, the guarantees and the indenture. Because this description is only a summary, you should refer to the indenture for a complete description of our obligations and your rights. A copy of the indenture is available as described under “Listing and General Information.”

### Basic Terms of Notes and Guarantees

The notes will:

- be unsecured unsubordinated obligations of the Issuer, being equal in right of payment with all existing and future unsecured unsubordinated obligations of the Issuer;
- be subject to certain statutory preferences under applicable law;
- be issued in an original aggregate principal amount of U.S.\$500,000,000 in minimum denominations of U.S.\$200,000 of original principal amount and integral multiples of U.S.\$1,000 above such amount;
- mature on January 20, 2027;
- bear interest commencing the date of issue at 5.300% per annum on the outstanding principal amount, payable semiannually on January 20 and July 20 of each year, commencing on July 20, 2017 to holders of record on the January 18 or July 18 immediately preceding the relevant 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
- be redeemable at the option of the Issuer at any time or from time to time prior to their maturity, upon no more than 60 and not less than 30 days’ notice to the noteholders. See “—Optional Redemption.”

The guarantees will:

- be unsecured unsubordinated obligations of Raízen Combustíveis and Raízen Energia, being equal in right of payment with all existing and future unsecured unsubordinated obligations of Raízen Combustíveis and Raízen Energia.
- be effectively subordinated to any and all existing and future secured debt of Raízen Combustíveis and Raízen Energia, respectively, to the extent of the value of the assets securing such debt;
- be structurally subordinated to all existing and future debt of the Subsidiaries of Raízen Combustíveis and Raízen Energia; and
- be subject to certain statutory preferences under applicable law.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Any payments due on a day that is not a business day in New York City, Luxembourg City and São Paulo shall be due on the immediately succeeding business day.

As of September 30, 2016, Raízen Combustíveis and Raízen Energia had total indebtedness of R\$12,836.7 million (U.S.\$3,954.4 million) on an unconsolidated basis. As of September 30, 2016, Raízen Combustíveis and Raízen Energia had (1) R\$3,337 million (U.S.\$1,029.1 million) of secured indebtedness on an unconsolidated basis to which the notes will be effectively subordinated and (2) R\$9,499.5 million (U.S.\$2,929.5 million) of unsecured indebtedness on an unconsolidated basis, which will rank equally in right of payment with the notes.

### **Additional Notes**

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 interest will accrue on the additional notes from their date of issuance, provided, however, that such additional notes will either be (1) fungible with the notes offered hereby for U.S. federal income tax purposes or (2) issued under a separate CUSIP or other identifying number. 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 by a Guarantor in respect of the guarantees 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 Luxembourg, Brazil or any other jurisdiction or political subdivision thereof from or through which a payment is made or in which the Issuer or a Guarantor (or any successor to the Issuer or Guarantor) is organized or is a resident for tax purposes having power to tax (a “Relevant Taxing Jurisdiction”), unless the Issuer or Guarantor, as applicable, is required by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In that event, the Issuer or Guarantor, as applicable, will make the required 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 received by holders of notes after such withholding or deduction equal the amounts that would have been received in respect of the notes in the absence of such withholding or deduction (“Additional Amounts”). However, no Additional Amounts shall be payable:

- to, or to a third party on behalf of, a holder where the holder or beneficial owner is liable for any present or future taxes, duties, assessments or governmental charges in respect of a note by reason of the existence of any present or former connection between the holder (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of the holder or beneficial owner, if the holder or beneficial owner is an estate, a trust, a partnership, a limited liability company or a corporation) or beneficial owner and the Relevant Taxing Jurisdiction, including, without limitation, the holder or beneficial owner (or the holder’s or the beneficial owner’s fiduciary, settlor, beneficiary, partner, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged or deemed to be 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 the enforcement of rights and the receipt of payments with respect to the note;
- in respect of any present or future tax, assessment or other governmental charge that would not have been so imposed but for the presentation by the holder of a note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- to, or to a third party on behalf of, a holder where the holder or beneficial owner is liable for any present or future taxes, duties, assessments or other governmental charges in respect of a note by reason of the holder’s or beneficial owner’s failure to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity or connection with the Relevant Taxing Jurisdiction, if (1) compliance is required by the Relevant Taxing Jurisdiction as a precondition to relief or exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (2) the Issuer has given at least 30 days’ notice that holders or beneficial owners will be required to provide this certification, identification or other requirement;
- in relation with the application of Luxembourg law of 23 December 2005, as amended from time to time, introducing a 20% withholding tax on certain interest payments made for the immediate benefit of individuals resident in Luxembourg;

- in respect of any present or future tax, assessment or other governmental charge imposed on a note presented for payment by or on behalf of a holder where the holder or beneficial owner would have been able to avoid the withholding or deduction by presenting the relevant note to another paying agent;
- in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;
- in respect of any tax, assessment or other governmental charge that is payable otherwise than by deduction or withholding from payments of principal of or interest on the note or by direct payment by the Issuer or a Guarantor in respect of claims made against the Issuer or a Guarantor;
- in respect of any tax, duty, assessment or other governmental charge imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), as of the date of the indenture (or any amended or successor version), current or future U.S. Treasury Regulations issued thereunder or any official interpretation thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code; 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 on the note would be required by the laws of the Relevant Taxing 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. Except as specifically provided above, neither the Issuer nor any Guarantor shall be required to make any payment with respect to any tax, duty, assessment or governmental charge imposed by any government or 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 taxes in excess of the appropriate rate applicable to the holder of such notes, and, as a result thereof the holder is entitled to make a claim for a refund or credit of the excess from the authority imposing the withholding tax, then the holder shall, by accepting the 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 or a Guarantor.

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 guarantees by a Guarantor 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 obligation described above 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.

### **Optional Redemption**

The notes will be redeemable at the option of the Issuer at any time or from time to time prior to their maturity, upon not more than 60 and not fewer than 30 days’ notice to the noteholders. The Issuer may redeem the notes either as a whole or in part at a redemption price equal to the greater of (i) 100% of the principal amount of the notes being redeemed and (ii) the sum of the present values of each remaining scheduled payment of principal and interest thereon (exclusive of any such interest accrued to the date of redemption) discounted (for purposes of determining present value) to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 45 basis points, plus accrued interest thereon to the date of redemption; provided that notes in an aggregate principal amount equal to at least U.S.\$100 million remain outstanding immediately after the occurrence of any partial redemption of notes.

Notes called for redemption will become due on the date fixed for redemption. Notices of redemption will be given at least 30 but not more than 60 days before the date fixed for redemption to each noteholder at its registered

address. The notice will state the amount to be redeemed. On and after the date fixed for redemption, interest will cease to accrue on any redeemed notes. If less than all the notes are redeemed at any time, the trustee will select the notes to be redeemed by such method as the trustee deems fair and appropriate (or, in the case of global notes, in accordance with the depositary's applicable procedures).

### **Redemption for Taxation Reasons**

If as a result of any change in or amendment to the laws (or any applicable treaties, or any rules or regulations promulgated thereunder) of a Relevant Taxing Jurisdiction, or any amendment to or change in official position regarding the application, interpretation or administration 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, with respect to a successor, after the date a successor assumes the obligations under the notes, (i) the Issuer has or will become obligated to pay Additional Amounts as described above under “—Payment of Additional Amounts” in excess of the Additional Amounts the Issuer would be obligated to pay if payments were subject to withholding or deduction at a rate of 0% or (ii) either Guarantor has or will become obligated to pay Additional Amounts as described above under “—Payment of Additional Amounts” in excess of the Additional Amounts such Guarantor would be obligated to pay if such payments were subject to withholding or deduction at a rate of 15% or, in case the holder of the notes is resident in a tax haven jurisdiction for Brazilian tax purposes (i.e., countries or locations which do not impose any income tax or which impose it at a maximum rate lower than 17% or where local legislation imposes restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of the income attributed to non-residents), at a rate of 25%, or, in either case, at the lower rate specified in an applicable tax treaty between Brazil and the country where the holder of the notes is domiciled, as a result of the taxes, duties, assessments and other governmental charges described above (the rates in (i) and (ii), the “Minimum Withholding Level”), the Issuer 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 then outstanding, together with interest accrued to the date fixed for redemption, upon delivery of irrevocable notice of redemption to the holders not fewer 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 the Issuer would, but for such redemption, be obligated to pay the Additional Amounts above the Minimum Withholding Level. Notwithstanding the foregoing, the Issuer shall not have the right so to redeem the notes unless: (i) it has taken reasonable measures to avoid the obligation to pay Additional Amounts and (ii) it has complied with all necessary regulations to legally effect such redemption; provided, however, that for this purpose reasonable measures shall not include any change in the Issuer's or Guarantor's or any successor's jurisdiction of incorporation or organization or location of its principal executive or registered office.

In the event that the Issuer elects so to redeem the notes, it will deliver to the trustee: (1) a certificate, signed in the name of the Issuer by any two of its executive officers or by its attorney in fact in accordance with its bylaws, stating that the Issuer is entitled to redeem the notes pursuant to the terms of the indenture and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Issuer so to redeem have occurred or been satisfied; and (2) an opinion of counsel to that effect based on the statement of facts.

### **Purchase of Notes upon Change of Control Event**

Not later than 30 days following a Change of Control that results in a Rating Decline, the Issuer will make, directly or by a Designated Affiliate, an offer to purchase (an “Offer to Purchase”) all outstanding notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon and Additional Amounts, if any, to, but excluding, the purchase date.

An Offer to Purchase must be made by written offer to the holders (a copy of which shall be delivered to the trustee), which will specify the principal amount of notes subject to the offer and the purchase price. The Offer to Purchase 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 an indicative settlement date for purchase (the “Purchase Date”) not more than five business days after the Expiration Date. The offer must include a description of the transaction or transactions that constitute the Change of Control. The Offer to Purchase will also contain instructions and any materials necessary to enable holders to tender notes pursuant to the offer. 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.

A holder may tender all or any portion of its notes pursuant to an Offer to Purchase, subject to the requirement that if a holder tenders only a portion of its notes, the remaining notes must be no less than U.S.\$200,000 in principal amount and in integral multiples of U.S.\$1,000 in excess thereof. Holders shall be entitled to withdraw notes tendered up to the expiration of the offer. 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 not be required to make an Offer to Purchase upon a Change of Control that results in a Rating Decline if (1) a third party makes the Offer to Purchase in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by the Issuer (provided that the consideration in respect of such third party Offer to Purchase is at least equal to the consideration required by an Offer to Purchase made by the Issuer) and purchases all notes properly tendered and not withdrawn under the Offer to Purchase, or (2) a notice of redemption for all outstanding notes has been given pursuant to the indenture unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, an Offer to Purchase may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control and the occurrence of such Rating Decline, if a definitive agreement is in place for the Change of Control at the time the Offer to Purchase is made.

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 to the holders (with a copy to the trustee), given not more than 30 days following the Purchase Date, 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, but excluding, the date of redemption.

#### **No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the notes.

#### **Guarantees**

The Guarantors will jointly and severally, and irrevocably guarantee on an unsecured, unconditional and unsubordinated basis to each holder and the trustee the full and prompt payment of principal and premium, if any, and interest on the notes, 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 on the notes, and all other amounts due and payable by the Issuer under the indenture. The guarantees constitute an unsecured, unconditional and unsubordinated obligation of each Guarantor that will at all times rank at least equally with all other present and future unsecured unsubordinated obligations of each such guarantor, except for any obligations that may be subject to certain statutory preferences under applicable law. The guarantees will also be effectively subordinated to any and all existing and future secured debt of the Guarantors, respectively, to the extent of the value of the assets securing such debt. Any obligation of the Guarantors to make a payment may be satisfied by causing the Issuer to make such payment. The Guarantors will comply with all necessary Central Bank regulations to legally effect any payments under the guarantees.

#### **Status**

The notes will be unsecured, unsubordinated obligations of the Issuer, being equal in right of payment with all of its other existing and future unsecured, unsubordinated obligations, subject to certain statutory preferences under applicable law. However, the notes will effectively rank junior to any and all secured debt of the Issuer to the extent of the value of the assets securing that debt. Although the indenture contains certain limits on the ability of the Issuer and the Guarantors to incur secured debt, these limitations are subject to a number of significant exceptions. See "— Certain Covenants—Limitation on Liens." Under Brazilian law, as a general rule, holders of the notes will not have any claim whatsoever against any Subsidiaries of the Issuer or the Subsidiaries of the Guarantors.

#### **Open Market Purchases**

The Issuer or its Affiliates may at any time purchase the notes in the open market or otherwise at any price; provided that notes that the Issuer or its Affiliates purchase may, in their respective discretion, be held, resold or

cancelled, but will only be held or resold in compliance with applicable requirements or exemptions under the relevant securities laws.

### **Certain Covenants**

The indenture contains the following limited covenants:

#### *Limitation on Liens*

Each Guarantor will not, and will not permit any Subsidiary to, directly or indirectly, incur or permit to exist any Lien of any nature whatsoever securing the payment of Debt on any of its Property, whether owned at the Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the notes or the guarantees, as applicable, 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 guarantees, prior to) the obligations so secured for so long as such obligations are so secured.

#### *Consolidation, Merger or Sale of Assets*

Each of the Issuer and the Guarantors shall not consolidate with or merge with or into any other Person or sell, convey, transfer or lease, in one transaction or a series of transactions, directly or indirectly, all or substantially all of its Property (determined on the basis of the combined consolidated assets of the Guarantors and their Subsidiaries) to any other Person, unless:

- (1) the Person (if not the Issuer or Guarantor) formed by such merger or consolidation or the Person (if not the Issuer or Guarantor) which acquired by sale, conveyance, transfer or lease all or substantially all of the Property of the Issuer or Guarantor (the "Successor Corporation") shall expressly assume by amendment of the indenture the due and punctual payment of the principal of and interest (and Additional Amounts) on all of the notes or the guarantees, as applicable, the performance or observance of every covenant of the Issuer or Guarantor, as applicable and all other obligations of the Issuer or Guarantor, as applicable under the indenture and the notes or the guarantees, as applicable;
- (2) immediately after giving effect to such transaction, no Event of Default with respect to any note shall have occurred and be continuing; and
- (3) the Issuer or Guarantor, as applicable or the Successor Corporation, as the case may be, shall deliver to the trustee an opinion of counsel to the effect that such consolidation, merger, sale, conveyance, transfer or lease and such amendment to the indenture (if required) comply with these conditions, that such amendment (if required) has been duly authorized, executed and delivered and constitutes valid and binding obligations of the Successor Corporation and that all conditions precedent herein provided or relating to such transaction have been complied with.

Notwithstanding anything to the contrary in the foregoing, the following transactions will not be subject to clause (2) above:

- (1) the Issuer or Guarantor may merge with or into or consolidate with the Issuer or a Guarantor, as applicable, or any of their Subsidiaries provided that, if the surviving entity is a Subsidiary of a Guarantor other than the Issuer, such Subsidiary shall become the issuer or a guarantor of the notes, as the case may be; or
- (2) the Issuer or Guarantor may sell, convey, transfer or lease, in one transaction or in a series of transactions, directly or indirectly, all or substantially all of its Property (determined on the basis of the combined consolidated assets of the Guarantors and their Subsidiaries) to the Guarantors or any of their respective Subsidiaries, provided that, if the Property is transferred to any Subsidiary of a Guarantor other than the Issuer, such Subsidiary shall become the issuer or a guarantor of the notes, as the case may be.

Notwithstanding anything to the contrary in the foregoing, any merger or consolidation, in which the surviving entity is the Issuer or the Guarantor, or sale, conveyance, transfer or lease to the Issuer or Guarantor will not be subject to any clause above.

Upon any consolidation, merger, sale, conveyance, transfer or lease in accordance with these conditions, the Successor Corporation shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer and Guarantor, as applicable under the notes or the guarantees, with the same effect as if the Successor Corporation had been named as the issuer or the guarantor of the notes herein. No Successor Corporation shall have the right to redeem the notes unless the Issuer would have been entitled to redeem the notes in similar circumstances.

## Reports

The Guarantors will furnish to the trustee (and will also provide the trustee with sufficient copies of the following reports referred to in (1) and (2) below for distribution, at its expense, to all holders of notes):

- (1) as soon as available and in any event no later than 120 days after the last day of the fiscal year of the Guarantors, annual audited combined consolidated financial statements in English of the Guarantors, in each case as at and for the fiscal year then ended, prepared in accordance with IFRS, as issued by the International Accounting Standards Board, or IASB together with the audit report thereon; and
- (2) as soon as available and in any event within 60 days after the end of the first three fiscal quarters of each fiscal year, quarterly unaudited combined consolidated financial statements in English of the Guarantors prepared in accordance with IFRS, as issued by the International Accounting Standards Board, or IASB, accompanied by a “limited review” (*revisão limitada*) report thereon.

Delivery of these reports, information and documents to the trustee is for informational purposes only and the trustee’s receipt of any of those will not constitute constructive notice of any information contained in them or determinable from information contained in them, including our compliance with any of covenants under the indenture (as to which the trustee is entitled to rely exclusively on officer’s certificates).

Notwithstanding the forgoing, if the Guarantors make available the information described above on its website or the website of a Subsidiary of the Guarantors, it will be deemed to have satisfied the reporting requirement set forth above. It is understood that the trustee shall have no responsibility to determine whether any information has been posted on such website.

The Issuer will deliver to the trustee:

- (1) within 120 days after the end of the fiscal year, an officer’s certificate stating whether, to the best of his or her knowledge, a Default exists on the date of such certificate and, if a Default exists, setting forth details thereof and the action which the Issuer or Guarantor, as applicable, is taking with respect thereto; and
- (2) promptly upon becoming aware of the occurrence of a Default, an officer’s certificate setting forth the details of the Default, and the action which the Issuer or Guarantor, as applicable, is taking with respect thereto.

## Additional Information

For so long as any notes remain outstanding, the Issuer will make available to any noteholder or beneficial owner of an interest in the notes, or to any prospective purchasers designated by such noteholder or beneficial owner, upon request of such noteholder or beneficial owner, information required to be delivered under paragraph (d)(4) of Rule 144A unless, at the time of such request, the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

## Substitution of the Issuer of the Notes

Without the consent of any holder of notes, the Issuer may be replaced and substituted, as principal debtor in respect of the notes, by (x) either Guarantor or (y) any Subsidiary of a Guarantor (in each case, in that capacity, the “Substituted Issuer”); provided that the following conditions are satisfied:

- (1) such documents will be executed by the Substituted Issuer, the Issuer, the Guarantors and the trustee as may be necessary to give full effect to the substitution, including a supplemental indenture under which the Substituted Issuer assumes all of the obligations of the Issuer under the indenture and notes and, unless a Guarantor is the Substituted Issuer or the Guarantor’s then-existing guarantee remains in full force and

effect, a substitute guarantee issued by the Guarantor in respect of the notes (collectively, the “Substitution Documents”);

- (2) if the Substituted Issuer is organized in a jurisdiction other than Luxembourg, the Substitution Documents will contain covenants (i) to ensure that each holder of notes has the benefit of a covenant in terms corresponding to the obligations of the Issuer, in respect of the payment of Additional Amounts (but replacing references to Luxembourg with references to the jurisdiction of organization of the Substituted Issuer) and (ii) to indemnify each holder and beneficial owner of notes against all taxes or duties that (a) arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution that are incurred or levied against such holder or beneficial owner of notes as a result of the substitution and that would not have been so incurred or levied had the substitution not been made, and (b) are imposed on such holder or beneficial owner of notes by any political subdivision or taxing authority of any country in which such holder or beneficial owner of the notes resides or is subject to any such tax or duty and that would not have been so imposed had the substitution not been made;
- (3) the Issuer will deliver, or cause the delivery, to the trustee opinions from internationally recognized counsel in the jurisdiction of organization of the Substituted Issuer and the State of New York to the effect that the Substitution Documents constitute valid and binding obligations of the Substituted Issuer, as well as an officer’s certificate as to compliance with the provisions described under this section;
- (4) the Substituted Issuer will appoint a process agent in the Borough of Manhattan in The City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with notes, the indenture and the Substitution Documents;
- (5) no Event of Default under the indenture has occurred or is continuing; and
- (6) the substitution will comply with all applicable requirements under the laws of the jurisdiction of organization of the Substituted Issuer and Luxembourg.

Upon the execution of the Substitution Documents, any substitute guarantee and compliance with the other conditions in the indenture relating to the substitution, (i) the Substituted Issuer will be deemed to be named in the notes as the principal debtor in place of the Issuer and (ii) the Issuer (or any previous substitute) will be released from all of its obligations under the notes and the indenture and any reference in this “Description of the Notes” to the Issuer shall from then on be deemed to refer to the Substituted Issuer and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substituted Issuer.

Not later than 10 business days after the execution of the Substitution Documents, the Substituted Issuer will give written notice thereof to the holders of notes.

The substitution of another principal debtor in place of the Issuer may be treated for U.S. federal income tax purposes as an exchange of the notes for new notes, resulting in recognition of taxable gain or loss for these purposes and possible other adverse tax consequences. Beneficial owners should consult their tax advisers regarding the U.S. federal, state and local tax consequences of a substitution. Notwithstanding anything to the contrary, this covenant is not applicable to the extent the Issuer complies with the covenant described under the caption “— Consolidation, Merger or Sale of Assets.”

A notice to noteholders shall be published in compliance with applicable requirements of the Luxembourg Stock Exchange in the case of a substitution of the Issuer.

### **Events of Default**

The occurrence of one or more of the following events shall constitute an “Event of Default” with respect to the notes:

- (1) the Issuer fails to pay any principal of, or any interest or any Additional Amounts due on, any note, and, in the case of interest or Additional Amounts, such default continues for a period of 30 business days;

- (2) the Issuer or a Guarantor fails to perform or observe any other covenant or obligation in the notes or in the indenture and such default continues for a period of more than 60 consecutive days after written notice to the Issuer and/or Guarantor, as the case may be, by the Trustee, or to the Issuer or Guarantor and the Trustee by the holders of 25% or more in aggregate principal amount of the notes;
- (3) the Issuer, a Guarantor or any of their respective Significant Subsidiaries defaults (A) in the payment when due (subject to any applicable grace period) after a grace period of 5 business days, whether by acceleration or otherwise, of any Debt in an aggregate principal amount of U.S.\$150,000,000 or more (or its equivalent in any other currency or currencies) (the "Threshold Amount"), whether such Debt now exists or shall hereafter be created; or (B) default shall occur in the performance or observance of any other terms and conditions relating to any such Debt in an aggregate amount in excess of the Threshold Amount if the effect of such default is to cause such Debt to become due prior to its Stated Maturity;
- (4) the Issuer, a Guarantor or any of their respective Significant Subsidiaries shall: (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, examiner, administrator, liquidator or similar Person of itself or of all or any substantial part of its Property; (ii) make a general assignment for the benefit of its creditors; (iii) file a petition seeking bankruptcy, insolvency, reorganization in an insolvency or comparable context, *recuperação judicial*, *recuperação extrajudicial*, liquidation, *falência*, dissolution or winding up; or (iv) take any corporate action for the purpose of effecting any of the foregoing;
- (5) an involuntary proceeding or case shall be commenced against the Issuer, a Guarantor or any of their respective Significant Subsidiaries without its application or consent, seeking: (i) its reorganization, liquidation, dissolution or winding up; (ii) the appointment of a receiver, custodian, trustee, examiner, administrator, liquidator or similar Person of it or of all or any substantial part of its Property; or (iii) similar relief in respect of it under any applicable law relating to bankruptcy, insolvency, reorganization, *recuperação judicial*, *recuperação extrajudicial*, liquidation, *falência*, dissolution or winding up, and such proceeding or case shall continue undismissed and unstayed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) or more consecutive days;
- (6) any of the indenture or the notes or the guarantees for any reason cease to be in full force and effect in accordance with its terms or the Issuer or Guarantor shall contest the binding effect or enforceability thereof or shall deny that it has any further liability or obligation thereunder or in respect thereof;
- (7) a final non-appealable judgment(s) for the payment of money in an amount equal or in excess of U.S.\$150,000,000 (or its equivalent in another currency) shall have been entered by a court or courts of competent jurisdiction against the Issuer or the Guarantor and remain unpaid or undischarged for a period (during which execution shall not be effectively stayed) of 60 consecutive days unless Shell Brazil Holdings BV and/or Cosan S/A Indústria e Comércio or any Affiliate thereof has contractually and irrevocably undertaken to indemnify the Issuer or the Guarantor, as applicable, for any potential loss or claim arising therefrom and enforcement proceedings are not being executed against any Property of the Issuer or any Guarantor;
- (8) it is or becomes unlawful for the Issuer or Guarantor to perform or comply with any one or more of its payment obligations under the indenture or the notes or the guarantees.

The trustee shall not be deemed to have notice of any Default or Event of Default (other than a payment default) unless a written notice of default is received by a Responsible Officer of the trustee at the Corporate Trust Office of the trustee, and such notice references the notes and the indenture.

### **Consequences of an Event of Default**

If an Event of Default, except for a bankruptcy default with respect to the Issuer or Guarantor, 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 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 and any other amounts due and payable by the Issuer under the indenture to be immediately due and payable. Upon a declaration of acceleration, such principal, interest and other amounts will become immediately due and payable. If

a bankruptcy default occurs with respect to the Issuer or Guarantor, the unpaid principal of and accrued interest on the notes then outstanding and any other amounts due and payable by the Issuer under the indenture will become immediately due and payable without any declaration or other act on the part of the trustee or any holder.

The holders of a majority in principal amount of the outstanding notes by written notice to the Issuer or a Guarantor 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, except for 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 written notice to the trustee and to the Issuer or Guarantor, 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 aggregate 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 reasonably 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) 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 contractual 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, in each case as expressly set forth in the indenture, may not be amended without the consent of that holder.

If any Default or Event of Default occurs and is continuing and written notice thereof is delivered to a responsible officer of the trustee, the trustee will send notice of the Default or Event of Default to each holder within 60 days after it occurs, unless the Default or 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 the board of directors, the executive committee or a trust committee of directors of the trustee in good faith determine that withholding the notice is in the interest of the holders.

## Amendments and Waivers

*Amendments Without Consent of Holders.* The Issuer, the guarantors and the trustee may waive, consent, amend or supplement the indenture, the notes or the guarantees without notice to or the consent of any noteholder:

- (1) to cure any ambiguity, omission, defect, inconsistency or to correct a manifest error in the indenture, the notes or the guarantees;
- (2) to comply with the covenants described under the captions “—Consolidation, Merger or Sale of Assets” and “—Substitution of the Issuer of the Notes”;
- (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 provided that the uncertificated notes are issued in registered form for purposes of Section 163(f) of the Code;
- (5) to provide for any additional guarantee of the notes or 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 as described in “—Additional Notes”;
- (7) to add to the covenants of the Issuer or Guarantor for the benefit of the holders of the notes;
- (8) to make any other change that does not materially and adversely affect the rights of any holder; or
- (9) to conform any provision of the indenture to the “Description of the Notes.”

*Amendments With Consent of Holders.* (a) Except as otherwise provided in “—Events of Default” or paragraph (b) below, the Issuer, the guarantors and the trustee may amend the indenture, the notes and the guarantees with the written consent of the holders of a majority in aggregate principal amount of the outstanding notes and the holders of a majority in aggregate principal amount of the outstanding notes may waive future compliance by the Issuer with any provision of the indenture, the notes or the guarantees.

(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 payment of principal or any installment of interest on any note;
- (2) reduce the rate of interest or change the method of computing the amount of interest payable on any note;
- (3) reduce the amount payable upon the redemption of any note or change the time of any mandatory redemption or, 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 provided, however, the minimum notice period for such redemption (but not the times of redemption) may be changed with the written consent of the holders of a majority in principal amount of the outstanding notes;
- (4) make any note payable in currency other than that stated in the note;
- (5) impair the contractual 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;
- (6) make any change in the percentage of the principal amount of the notes required for amendments or waivers; or
- (7) modify or change any provision of the indenture affecting the ranking of the notes in a manner adverse to the holders of the notes (it being understood that changes in provisions affecting the ability to create Liens

over the assets of the Issuer shall not affect the “ranking” of the notes as that term is used in this subsection).

It is not necessary for noteholders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof. After any amendment described herein becomes effective, the Issuer will send to the holders of notes a notice in accordance with the procedure set forth in the indenture briefly describing the amendment. However, the failure to give notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment.

#### **No personal liability of directors, officers, employees and shareholders**

No past, present or future director, officer, employee, incorporator, or shareholder of the Issuer or the Guarantors, as such, will have any liability for any obligations of the Issuer or the Guarantors under the notes, the guarantee or the indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws or under Brazilian corporate law. It is the view of the SEC that such a waiver is against public policy.

#### **Currency indemnity**

U.S. dollars are the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under the notes, the guarantee and the indenture. Any amount received or recovered in a currency other than U.S. dollars in respect of the notes, the guarantees or the indenture (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, the Guarantors, any of their respective Significant Subsidiaries or otherwise) by the trustee or any holder in respect of any sum expressed to be due to it from the Issuer will constitute a discharge of the Issuer or the Guarantors only to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any note, the Issuer and the Guarantors, jointly and severally, will indemnify the recipient against the cost of making any such purchase; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such recipient, such recipient, if a holder, will, by accepting a note, and, if the trustee, by executing the indenture, be deemed to have agreed to repay such excess. For purposes of this indemnity, it will be sufficient for the recipient to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had the actual purchase of U.S. dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above).

The above indemnity, to the extent permitted by law:

- (1) constitutes a separate and independent obligation from the other obligations of the Issuer and the Guarantors;
- (2) will give rise to a separate and independent cause of action;
- (3) will apply irrespective of any waiver or indulgence granted by the trustee or any holder; and
- (4) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note or any other judgment.

#### **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 set forth in the indenture.

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 (“covenant defeasance”) by irrevocably depositing in trust with the trustee U.S. dollars or U.S. Government Obligations sufficient, in the opinion of a nationally recognized 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 beneficial owners 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, such an opinion could not be given absent a change of law after the date of the indenture. In addition, the Issuer must deliver to the trustee an opinion of counsel in English in each jurisdiction in which the Issuer 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, all guarantees will terminate.

### **Certain Definitions**

The following sets forth certain of the defined terms used in the indenture. Reference is made to the indenture for full disclosure of all such terms, as well as any other terms used herein for which no definition is provided. Unless otherwise indicated by the context, the following terms will, for purposes of this “Description of the Notes,” have the meanings ascribed to them below, whether used in singular or plural form.

“Affiliate” means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” (including the terms “controlling,” “controlled by” and “under common control with”) as to any Person shall mean 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 Stock, by contract or otherwise.

“Applicable GAAP” means, with respect to the Issuer or any Guarantor either (i) generally accepted accounting principles in the jurisdiction where such Issuer or Guarantor is organized or incorporated or (ii) International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations, in each case, as in effect from time to time.

“Capital Stock” means, as to any Person, any and all shares, interests, participations, quotas or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person other than a corporation and any and all warrants or options to purchase any of the foregoing, but excluding any debt securities convertible into any of the foregoing.

“Change of Control” means that any Guarantor ceases to be Controlled either by (a) Royal Dutch Shell PLC and Cosan S/A Indústria e Comércio jointly, or (b) either Royal Dutch Shell PLC or Cosan S/A Indústria e Comércio, individually; provided, however, that it shall not be a “Change of Control” hereunder if (i) Royal Dutch Shell PLC ceases to Control Raízen Combustíveis S.A. so long as Cosan S/A Indústria e Comércio retains (x) at least the same ownership percentage of Voting Stock of Raízen Combustíveis S.A. that it possesses on the date hereof, and (y) Control of Raízen Energia S.A., (ii) Cosan S/A Indústria e Comércio ceases to Control Raízen Energia S.A. so long as Royal Dutch Shell PLC retains (x) at least the same ownership percentage of Voting Stock of Raízen Energia S.A. that it possesses on the date hereof, and (y) Control of Raízen Combustíveis S.A., or (iii) in the event of an initial public offering of the Capital Stock of any Guarantor, if, following such initial public offering, either Royal Dutch Shell PLC or Cosan S/A Indústria e Comércio, jointly or individually, retain the power, directly or indirectly, to direct or cause the direction of the management and policies of such Guarantor. For purposes of this definition

“Control,” with respect to any Guarantor, means the possession, directly or indirectly, beneficially and of record, of at least a majority of the outstanding shares of Voting Stock of such Guarantor or the power, directly or indirectly, to direct or cause the direction of the management and policies of such Guarantor.

“Central Bank” means the Central Bank of Brazil (Banco Central do Brasil).

“Comparable Treasury Issue” means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed 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 comparable maturity to the remaining term of such notes.

“Comparable Treasury Price” means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Consolidated Net Worth” means the aggregate combined consolidated stockholders’ equity of the Guarantors determined on a consolidated basis in accordance with Applicable GAAP.

“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 notes, bonds, debentures or other similar documents;
- (3) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit, financial guaranty insurance policies or similar extensions of credit (excluding trade payables);
- (4) all obligations of such Person under Hedging Agreements; and
- (5) all Debt of other Persons referred to in clauses (1) through (4) above that is Guaranteed by such Person.

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 an event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would become an Event of Default.

“Designated Affiliate” means, at any time, one or more Persons (including, without limitation, a Guarantor) designated by the Issuer to be the purchaser of notes under an Offer to Purchase.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Guarantee” means any obligation of a Person to pay the Debt of another Person, including without limitation:

- (1) an obligation to pay or purchase such Debt;
- (2) an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Debt; or
- (3) any other agreement to be responsible for such Debt.

“Hedging Agreement” means, with respect to any Person, all net obligations of such Person in respect of any interest rate protection agreement, any currency or commodity swap, cap or collar agreement, any equity swap or any similar arrangement entered into by such Person providing for the transfer or mitigation of interest rate, currency, commodity price or equity risks either generally or under specific contingencies (but without regard to any notional principal amount relating thereto).

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by us.

“Investment Grade” means BBB- or higher by Standard & Poor’s, Baa3 or higher by Moody’s or BBB- or higher by Fitch, or the equivalent of such global ratings by Standard & Poor’s, Moody’s or Fitch.

“Issue Date” means the date on which the notes are originally issued under the indenture.

“Lien” means any mortgage, pledge, usufruct, fiduciary transfer (*alienação* or *cessão fiduciária*), charge or other encumbrance, lien, security interest or any preferential arrangement (including a securitization) that has the practical effect of creating a security interest.

“Permitted Liens” means:

- (1) any Liens existing on the Issue Date;
- (2) any Lien extending, renewing or replacing (or successive extensions, renewals or replacements of), in whole or in part, any Lien existing on the Issue Date; provided that the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement, except for any increase reflecting premiums, fees and expenses in connection with such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the Lien so extended, renewed or replaced;
- (3) any Liens created solely for the purpose of securing the payment of all or a part of the purchase price (or the cost of construction or improvement, and any related transaction fees and expenses) of assets or Property (including Capital Stock of any Person) acquired, constructed or improved after the date hereof; provided that (a) the aggregate principal amount of Debt secured by such Liens shall not exceed the purchase price of the assets or property so acquired, constructed or improved, (b) such Liens shall not encumber any assets or property other than the assets or property so acquired, constructed or improved and (c) other than any unimproved real property on which the property so constructed, or the improvement, is located shall attach to such assets or property within 365 days of the construction, acquisition or improvement of such assets or property;
- (4) any Liens imposed by applicable law incurred in the ordinary course of business, including carriers’, warehousemen’s and mechanics’ liens, statutory landlord’s liens, customary reservations or retentions of title easements, rights-of-way, defects, zoning restrictions and other similar charges or encumbrances in respect of real property and other similar liens and encumbrances arising in the ordinary course of business, in each case that: (i) do not in the aggregate materially detract from the value of the Property subject thereto or materially impair the use thereof in the operations of the business of the Person owning such property or (ii) are being contested in good faith by appropriate proceedings promptly initiated and diligently conducted, which proceedings have the effect of preventing the forfeiture or sale of the Property subject to such liens and/or encumbrances and for which adequate reserves have been made in required in accordance with Applicable GAAP;
- (5) any Liens securing taxes, assessments and other governmental charges or levies, in each case the payment of which is not yet due or is being contested in good faith by appropriate proceedings diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by Applicable GAAP shall have been made;
- (6) pledges or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance or other similar social security legislation;
- (7) encumbrances, security deposits or reserves maintained in the ordinary course of business and required by applicable law;
- (8) any Liens (i) granted to secure borrowings directly or indirectly from Banco Nacional de Desenvolvimento Econômico e Social-BNDES, or any other federal, regional or state Brazilian governmental development bank or credit agency (including borrowings from any Brazilian governmental bank with funds provided by Brazilian governmental regional funds (which shall include, without limitation, Financiadora de Estudos e Projetos – FINEP, Fundo de Desenvolvimento do Nordeste – FDNE and Fundo de Desenvolvimento do

Centro Oeste – FCO)) or (ii) granted to secure borrowings from any international or multilateral development bank, government-sponsored agency, export- import bank or official export-import credit insurer, export-credit agency or commercial bank acting as co-lender in any of the foregoing;

- (9) any Liens in favor of issuers of surety bonds, appeal bonds, bid bonds, tender bonds, letters of credit or similar instruments issued pursuant to the request of and for the account of any of the Issuer or the Guarantors or any of their Subsidiaries in the ordinary course of business (including all bonds required by law, contract or tender rules);
- (10) any Liens securing any hedge or swap agreements, so long as such hedge or swap agreements are entered into for bona fide, non-speculative purposes;
- (11) any Liens existing on any Property of any Person before that Person's acquisition (in whole or in part) by, merger into or consolidation with any of the Issuer or the Guarantors after the Issue Date; provided that the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation and such Lien does not extend to any other property of the Issuer or the Guarantors;
- (12) any Liens on inventory, receivables and related assets of any of the Issuer, the Guarantors or any of their Subsidiaries securing the obligations of the Issuer, such Guarantor or Subsidiary, as applicable, under any lines of credit or working capital or export or import trade finance facility; provided that the aggregate principal amount of Debt incurred that is secured by such receivables that shall fall due in any calendar year shall not exceed (i) with respect to transactions secured by receivables from export sales, 80% of the Issuer and the Guarantors' combined consolidated gross revenues from export sales for the most recently concluded period of four consecutive fiscal quarters, or (ii) with respect to transactions secured by receivables from domestic sales, 80% of the Issuer and the Guarantors' combined consolidated gross revenues from sales in Brazil for the most recently concluded period of four consecutive fiscal quarters; provided that advance transactions will not be deemed transactions secured by receivables, inventory or related assets for purposes of the above calculations;
- (13) any judgment Lien not giving rise to an Event of Default;
- (14) any interest or title of a lessor under any capitalized lease obligation; provided that such Liens do not extend to any property or assets which is not leased property subject to such capitalized lease obligation;
- (15) any Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of a Guarantor or any of its Subsidiaries, including rights of offset and set-off;
- (16) any Liens securing the notes and all other monetary obligations under the indenture and the guarantee;
- (17) any Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;
- (18) any rights of set-off of any person with respect to any deposit account of the Guarantor or any Subsidiary arising in the ordinary course of business and not constituting a financing transaction; and
- (19) other Liens securing obligations in an aggregate amount not exceeding the greater of: (i) U.S.\$2.1 billion (or the equivalent thereof at the time of determination) and (ii) 20% of the Total Consolidated Assets.

“Person” means any individual, corporation, company, voluntary association, partnership, limited liability company, joint venture, trust, unincorporated association, governmental authority or other entity of whatever nature.

“Property” of any Person means any property, rights, revenues, or interest therein, of such Person.

“Rating Agency” means each of (1) Standard & Poor's, (2) Moody's and (3) Fitch, or their respective successors.

“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 downgrade by either Rating Agency) after the date of public notice of a Change of Control, or of evidence of the Issuer's or the Guarantors' intention to effect a

Change of Control (i) in the event the notes 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 of Control.

“Reference Treasury Dealer” means Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated or its affiliates which are primary United States government securities dealers and three other leading primary United States government securities dealers in New York City reasonably designated by the Issuer; provided, however, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a “Primary Treasury Dealer”), the Issuer will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, 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 Independent Investment Banker by such Reference Treasury Dealer at 3:30pm New York time on the third business day preceding such redemption date.

“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.

“Responsible Officer” means, with respect to the trustee, any officer of the trustee who shall have direct responsibility for the administration of the indenture.

“Significant Subsidiary” means, with respect to any Person, any Subsidiary of such Person which at the time of determination had assets which, as of the date of Person’s most recent quarterly combined consolidated balance sheet, constituted at least 10% of the Person’s total assets, determined on the basis of the combined consolidated assets of such Person and its Subsidiaries as of such date.”

“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 published 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.

“Subsidiary” means, with respect to any Person, any corporation or other entity that has more than 50% of the Voting Stock in which is owned or controlled, directly or indirectly, by such Person and/or by any Subsidiary of such Person.

“Total Consolidated Assets” means the total amount of combined consolidated assets of the Guarantors prepared in accordance with Applicable GAAP.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming 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.

“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 Capital Stock in such Person having power to vote for the election of directors or similar officials of such Person or otherwise voting with respect to actions of such Person (other than such Capital Stock having such power only by reason of the happening of a contingency).

### **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 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 the Euroclear System (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”)) (as indirect participants in DTC), 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 global notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the global notes who are not participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. 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 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.

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 summarizes certain Brazilian, Luxembourg and United States federal tax considerations that may be relevant to the, ownership and disposition of the notes. This summary is based on laws and regulations now in effect in Brazil, the United States and the Luxembourg, each of which may change (possibly on a retroactive basis). 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 the ownership and disposition of the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.*

### **Certain Brazilian Taxation Considerations**

The following discussion is a summary of the Brazilian tax considerations relating to the ownership and sale of the notes by an investor resident or domiciled outside of Brazil, or Non Resident Holder. The discussion is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in the Brazilian law that may come into effect after such date as well as to the possibility that the effect of such change in the Brazilian law may be retroactive and apply to rights created on or prior to the date hereof. The information set forth below is intended to be a general description only, it does not address all possible tax consequences relating to an investment in the notes, and it is not applicable to all categories of investors, some of which may be subject to special rules. The discussion below does not address any tax consequences under the tax laws of any state or locality of Brazil.

**THE INFORMATION SET FORTH BELOW IS INTENDED TO BE A GENERAL DISCUSSION ONLY AND DOES NOT ADDRESS ALL POSSIBLE TAX CONSEQUENCES RELATING TO THE NOTES. HOLDERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE ACQUISITION, SALE, REDEMPTION OR REPAYMENT OF THE NOTES.**

### **Interest or principal payments**

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 should not be considered as resident or domiciled in Brazil for tax purposes, any income (including the Accrued Interest, fees, commissions, expenses, and any other income payable by the Issuer in respect of the Notes in favor of Non-Resident Holders) should not be subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by the Issuer outside of Brazil.

### **Gains realized from sale or disposition of the Notes**

Capital Gains realized on the sale or disposition of assets located in Brazil by a Non-Resident Holder are subject to taxation in Brazil regardless of whether the acquirer is resident or domiciled in Brazil, according to Section 26 of Law No. 10,833, enacted on December 29, 2003. Based on the fact that the Notes are issued and registered abroad, they should not fall within the definition of assets located in Brazil for purposes of Law No. 10,833. Hence, gains arising from the sale or disposition of the notes (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, or “original discount”) 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 Law No. 10,833 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.

If the income tax is deemed to be due, the gains may be subject to income tax in Brazil at a rate of 15%, or 25% if the Non-Resident Holder making the sale or disposition is located in a jurisdiction that does not impose any income tax or which imposes it at a maximum rate lower than 20% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the beneficial owner of income attributed to non-residents, or the Favorable Tax Jurisdiction. See “—Discussion on Favorable Tax Jurisdictions and Privileged Tax Regimes.” In certain circumstances, if income tax is not paid, the amount of

tax charged could be subject to an upward adjustment, as if the amount received by the non-resident holder was net of taxes in Brazil (gross-up).

For Non-Resident Holders that are not in Favorable Tax Jurisdictions, starting on January 1, 2017, the 15% income tax rate on gains realized on the sale or disposition of assets located in Brazil will be replaced by progressive rates ranging from 15% to 22.5%, according to the amount of the gain.

#### ***Payments made by Brazilian guarantors***

If 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 (including principal, interest or any other amount that may be due and payable in respect of the notes), Brazilian tax authorities could attempt to impose withholding income tax upon such payments.

Should the Brazilian Guarantors be obliged to pay interest to a Non-Resident Holder in connection with the notes, withholding income tax at the rate of 15% may apply (or 25% if the Non-Resident Holder is located in a Favorable Tax Jurisdiction. See “—Discussion on Favorable Tax Jurisdictions and Privileged Tax Regimes”). There is some uncertainty regarding the applicable tax treatment to payments of the principal amount by a Brazilian guarantor to a Non-Resident Holder. However, there are arguments to sustain that payments made under the guarantee should be subject to imposition of the Brazilian income tax according to the nature of the guaranteed payment, in which case only interest paid by the guarantors should be subject to withholding income tax at the rate of 15% (or 25% if the Holder is located in a Favorable Tax Jurisdiction. See “—Discussion on Favorable Tax Jurisdictions and Privileged Tax Regimes”). However, there are no precedents from Brazilian courts endorsing that position and it is not possible to assure that such argument would prevail in court.

Please note that different rates may apply if the tax treaty between the country of residence of the Non-Resident Holder and Brazil sets forth a lower withholding income tax rate.

#### ***Discussion on Favorable Tax Jurisdictions and Privileged Tax Regimes***

On June 4, 2010, Brazilian tax authorities enacted Normative Ruling No. 1,037 providing (1) a list of countries and locations which qualify as Favorable Tax Jurisdictions, which definition is provided by Law No. 9,430, of December 27, 1996, as a country or location that (i) does not impose taxation on income, (ii) imposes income tax at a rate lower than 20%, or (iii) imposes restrictions on the disclosure of shareholding composition or investment ownership, and (2) a list of tax regimes available in certain countries which qualify as Privileged Tax Regimes, which definition is provided by Law No. 11,727, of June 23, 2008, as regimes that: (i) do not tax income or tax income at a maximum rate lower than 20%, (ii) grant tax benefits to non-residents or individuals without the requirement to carry out a substantial economic activity in the country or location, or contingent to the non-exercise of a substantial economic activity, (iii) do not tax or tax income earned outside of the respective country or location at a maximum rate lower than 20%, or (iv) do not allow access to information related to shareholding composition, ownership of assets and rights, or economic transactions that are carried out.

Subsequently, on December 12, 2014, the Ministry of Finance issued Rule No. 488 narrowing the concept of Favorable Tax Jurisdictions and Privileged Tax Regimes to the countries, locations and tax regimes that impose income tax at a maximum rate lower than 17% if the relevant jurisdiction is committed to adopt international standards on tax transparency. Under Brazilian Law, the aforementioned commitment is present if the relevant jurisdiction (i) has entered into (or concluded the negotiation of) an agreement or convention authorizing the exchange of information for tax purposes with Brazil and (ii) is committed to the actions discussed in international forums on tax evasion in which Brazil has been participating, such as the Global Forum on Transparency and Exchange of Information. Nevertheless, until now, there has been no amendment to Normative Ruling No. 1,037 to reflect such threshold modification.

Although we believe that the best interpretation of the current tax legislation should lead to the conclusion that the above mentioned Privileged Tax Regime concept should apply solely for purposes of Brazilian tax rules related to transfer pricing, thin capitalization, and taxation of profits of foreign affiliates and controlled entities, 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 for purposes of the imposition of Brazilian withholding income tax on payments of interest to a Non-Resident Holder. If Brazilian tax authorities determine that

payments made to a Non-Resident Holder under a Privileged Tax Regime are subject to the same rules applicable to payments made to Non-Resident Holders located in a Favorable Tax Jurisdiction, the withholding income tax applicable to such payments could be assessed at a rate up to 25%.

Normative Ruling No. 1,037 is periodically updated to include and exclude countries, locations and tax regimes from the lists of Favorable Tax Jurisdictions and Privileged Tax Regimes. We recommend prospective investors consult their own tax advisors from time to time to verify any possible tax consequences arising of Normative Ruling No. 1,037, as amended, and Law No. 11,727.

### ***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, or 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 made by a Brazilian guarantor to non-Brazilian Holders.

Despite the above, in any case, the Brazilian government is allowed to 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.**

### **Luxembourg Tax Considerations**

#### ***Luxembourg Income Tax Consequences***

The following summary gives a summary of certain important Luxembourg taxation principles that may be or become relevant with respect to the noteholders and is presented by way of guidance only. It is based on laws, regulations and practice currently applicable in the Grand Duchy of Luxembourg at the date of this Offering Memorandum and is subject to changes therein, possibly with retroactive effect.

This summary does not purport to be a complete summary of tax law and practice currently applicable in Luxembourg and does not contain any statement with respect to the tax treatment of an investment in the notes in any other jurisdiction. The Issuer reserves the right to disclose the names of the noteholders, if applicable, or any other relevant information relating to the noteholders, to any tax authority where required by applicable law. If it does so, it shall advise the relevant noteholders unless prevented to do so by law. If the noteholders do not provide this information, the Issuer may be required to levy withholding tax on payments made to said noteholder and/or to close its account.

This summary does not describe all of the Luxembourg tax considerations that may be relevant to the situation of each Holder, particularly if they are subject to special tax rules. Each Holder should consult its tax advisors about the tax consequences of the investment in the Note including the relevance to each Holder's particular situation of the considerations discussed below, as well as of state, local and other tax laws.

This overview assumes that each transaction with respect to the notes is at arm's length.

### ***Withholding Tax***

Except as provided for by the Luxembourg law of 23 December 2005 (the “Law of 23 December 2005”) introducing a domestic withholding tax on certain interest payments to Luxembourg resident individuals, under the existing laws of Luxembourg there is no withholding tax on payments of principal, premium or interest, or on accrued but unpaid interest, in respect of the notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the notes.

According to the Law of 23 December 2005 (as amended), interest payments on the notes paid by a paying agent established in Luxembourg would be subject to a compulsory withholding tax of 20% (the “20% withholding tax”) if such payments are made for the immediate benefit of individuals resident in Luxembourg. The 20% withholding tax is levied by the aforementioned paying agent.

In the event that interest is paid to a Luxembourg resident individual or to a residual entity securing the payment for the benefit of such individual by a paying agent established in a EU Member State other than Luxembourg, or an EEA State, the beneficiary may opt for the application of the 20% withholding tax in accordance with the Law of 23 December 2005 (the “20% tax”). The 20% tax is paid and declared by the beneficiary.

The 20% withholding tax and the 20% tax will constitute a full discharge of income tax for Luxembourg resident individuals acting in the context of the management of their private wealth.

Further to Law 25 November 2014, as of 1 January 2015 all interest and interest-associated payments made or ascribed by a Luxembourg paying agent to or for the immediate benefit of individuals resident and so-called residual entities established in another Member State within the scope of EU Council Directive 2003/48/EC (as amended) are subject to the automatic exchange of information between Luxembourg and the relevant Member States.

### ***Income Taxation***

#### ***Non-Resident noteholders***

Non-resident noteholders, 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 noteholders 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 noteholders***

##### ***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 (not including accrued but unpaid interest), 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.

### *Corporations*

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 the notes.

Luxembourg net wealth tax will not be levied on a corporate noteholder unless:

- (a) such holder is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions, except if such holder is governed (i) by the law of May 11, 2007 on family estate management companies (as amended), or (ii) by the law of December 17, 2010 on undertakings for collective investment (as amended), or (iii) by the law of February 13, 2007 on specialized investment funds (as amended), or (iv) is a securitization company governed by the law of March 22, 2004 on securitization (as amended), or (v) is a capital company governed by the law of June 15, 2004 on venture capital vehicles (as amended); and
- (b) such notes are attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative or a fixed place of business in Luxembourg.

Notwithstanding the provisions above, entities mentioned under sub-paragraphs (iv) and (v) and entities incorporated as a public limited liability company (*société anonyme*), a private limited liability company (*société à responsabilité limitée*), a corporate partnership limited by shares (*société en commandite par actions*) or a cooperative company set up as a public limited liability company (*société coopérative organisée sous forme de société anonyme*) are subject to the minimum annual net wealth tax charge applicable as from 1 January 2016. In this respect, a flat annual minimum net wealth tax of EUR 4,815 (as from fiscal year 2017) is due assuming the Luxembourg company's assets, transferable securities and cash deposits represent at least (i) 90 per cent of its total balance sheet and (ii) EUR 350,000 (the "Asset Test"). Alternatively, should the Asset Test not be met, a progressive annual minimum net wealth tax ranging from EUR 535 to EUR 32,100 depending on the Luxembourg company's total gross assets is due.

### *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. A fixed or ad valorem registration duty may however apply (i) upon voluntary registration of the notes in Luxembourg (there is in principle no obligation to register debt instruments in Luxembourg), (ii) in case of legal proceedings before a Luxembourg court, or (iii) in case the documents relating to the notes must be produced before an official Luxembourg authority (*autorité constituée*).

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.

### ***Foreign Account Tax Compliance Act***

The Foreign Account Tax Compliance Act, or FATCA, was enacted into US law in March 2010 as part of the Hiring Incentives to Restore Employment Act. FATCA aims at reducing tax evasion by US citizens and requires foreign financial institutions outside the U.S., or FFIs, to spontaneously provide information about financial accounts held, directly or indirectly, by specified U.S. persons to the U.S. Internal Revenue Service (the “IRS”) on an annual basis. A 30% withholding tax is imposed on certain U.S. sources of income of any FFI that fails to comply with this requirement, or FATCA Withholding.

To implement FATCA in Luxembourg, Luxembourg entered into a so-called Model 1 Intergovernmental Agreement, or IGA, with the U.S., and a memorandum of understanding in respect thereof, on 28 March 2014. The IGA was implemented in Luxembourg domestic law by Law of 24 July 2015, the Luxembourg FATCA Law. Luxembourg FFIs which comply with the requirements of the IGA, will not be subject to FATCA Withholding.

Under the Luxembourg IGA, Luxembourg FFIs are required to perform certain necessary due diligence and monitoring of investors, and to report to the Luxembourg tax authorities on an annual basis information about financial accounts held by (i) specified US investors, (ii) certain US controlled entity investors and (c) non-US financial institution investors that do not comply with FATCA. Under the Luxembourg IGA, such information will subsequently be remitted by the Luxembourg tax authorities to the IRS.

It is the intention of the Issuer to procure that it is treated as complying with the requirements that FATCA and the Luxembourg IGA imposes upon it. However, no assurance can be provided that the Issuer will be able to comply with such requirements and, in the event that it is not able to do so, the Issuer could be exposed to fines which may reduce the amounts available to it to make payments to its noteholders.

Noteholders may be required to provide information to the Issuer to comply with its reporting obligations under the IGA. To ensure the Issuer’s compliance with the IGA and the Luxembourg FATCA Law in accordance with the foregoing, the Issuer may:

- request information or documentation, including self-certification forms, a global intermediary identification number, if applicable, or any other valid evidence of an Holder’s FATCA registration with the IRS or a corresponding exemption, in order to ascertain such investor’s FATCA status;
- report information concerning a noteholder and his account holding in the Issuer to the Luxembourg tax authorities if such account is deemed a U.S. reportable account under the Luxembourg IGA; and
- report information to the Luxembourg tax authorities concerning payments to account noteholders with the FATCA status of non-participating foreign financial institution.

Noteholders are not required to provide the abovementioned information. If noteholders do not provide this information, the Issuer may need to exchange financial account information of such noteholder to Luxembourg tax authorities who would forward such information to the IRS. If the IRS would not receive this information, then under U.S. FATCA rules, the Issuer may be required to withhold 30% withholding tax on payments made to said noteholder and to close its account.

Noteholders should contact their own tax advisers regarding the application of FATCA to their particular circumstances and their investment in the notes.

### **Certain U.S. Federal Income Tax Consequences**

The following summary describes certain U.S. federal income tax consequences to U.S. Holders (as defined below) of owning and disposing of the notes purchased in this offering at the “issue price,” which is the first price at which a substantial amount of the notes is sold to the public, and held as capital assets for U.S. federal income tax purposes.

The Issuer has not sought and does not intend to seek any ruling from the Internal Revenue Service (the “IRS”) with respect to the statements made and the conclusions reached in the following discussion. There can be no

assurance that the IRS will agree with our statements and conclusions or that a court would not sustain any challenge by the IRS in the event of litigation.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your individual circumstances, including alternative minimum tax and Medicare contribution tax consequences, as well as differing tax consequences that may apply to you if you are, for instance:

- a financial institution;
- an insurance company;
- a dealer or trader in securities that uses a mark-to-market method of tax accounting;
- a person holding notes as part of a “straddle” or other integrated transaction;
- a person whose functional currency is not the U.S. dollar;
- an entity classified as a partnership for U.S. federal income tax purposes or an investor therein;
- a tax-exempt entity; or
- a U.S. expatriate.

If an entity treated as a partnership for U.S. federal income tax purposes holds notes, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding notes, you should consult your tax adviser.

This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as in effect as of the date hereof, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein. This summary is for general information only and is not tax advice for any particular U.S. Holder. Additionally, this summary does not address any aspect of state, local or non-U.S. taxation, or any taxes other than income taxes. You should consult your tax adviser concerning the U.S. federal income tax consequences in light of your particular situation, as well as any consequences arising under other U.S. federal tax laws or the laws of any state, local, non-U.S. or other taxing jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a note that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

*Characterization of the Notes.* To the extent that it is required to take a position for U.S. federal income tax purposes, the Issuer intends to take the position that the notes constitute debt of the Issuer for U.S. federal income tax purposes. However, no ruling will be obtained from the IRS with respect to the characterization of the notes, and there can be no assurance that the IRS or a court would agree with this characterization of the notes. The discussion below assumes that the notes will be treated as debt of the Issuer for U.S. federal income tax purposes.

*Potential Contingent Payment Debt Treatment.* In certain circumstances, you may receive payments on the notes other than on scheduled interest payment dates and at maturity. In the event of a Change of Control that results in a Rating Decline, the Issuer would generally be required to offer to repurchase the notes at an amount in excess of their principal amount plus accrued and unpaid interest to the date of purchase (see “Description of the Notes—Purchase of Notes upon Change of Control Event”). The obligation to make these payments may implicate the provisions of the Treasury regulations relating to “contingent payment debt instruments.” The Issuer intends to take the position, and the remainder of this discussion assumes, that the notes will not be treated as “contingent

payment debt instruments.” The Issuer’s determination is not, however, binding on the IRS, which could challenge this position. If such a challenge were successful, you 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.* Stated interest paid on a note will be taxable as ordinary interest income at the time it accrues or is received by you, in accordance with your method of accounting for U.S. federal income tax purposes. It is expected, and this discussion assumes, that the notes will be issued without original issue discount for U.S. federal income tax purposes. Interest income with respect to a note generally will constitute foreign-source income for U.S. federal income tax purposes, which is relevant in calculating your foreign tax credit limitation. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the availability of foreign tax credits in your particular circumstances.

*Sale or Other Taxable Disposition of the Notes.* Upon the sale, exchange, retirement or other taxable disposition of a note, you generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition and your tax basis in the note. Gain or loss, if any, will generally be U.S.-source income for purposes of computing your foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued but unpaid interest, which will be treated as interest as described above under “—Payments of Interest.” Your adjusted tax basis in a note will generally equal the cost of the note.

Gain or loss, if any, realized on the sale, exchange, retirement or other taxable disposition of a note generally will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, retirement or other taxable disposition the note has been held for more than one year. Long-term capital gain recognized by non-corporate U.S. Holders is subject to reduced rates of taxation. The deductibility of capital losses is subject to limitations.

*Substitution of the Issuer.* The substitution of another principal debtor in place of the Issuer, as described in “Description of the Notes—Substitution of the Issuer of the Notes,” may be treated for U.S. federal income tax purposes as an exchange of the notes for new notes, resulting in recognition of taxable gain or loss for these purposes and possible other adverse tax consequences. You should consult your tax adviser regarding the U.S. federal tax consequences of a substitution.

*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) you are an exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the IRS. You should consult your tax adviser 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 January 12, 2017 among the Issuer, the Guarantors and Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Santander Investment Securities Inc. and Banco Bradesco BBI S.A., as the Initial Purchasers, the Issuer has agreed to sell, and the Initial Purchasers have agreed, severally and not jointly, subject to certain conditions, to purchase, the following principal amount of notes.

<b>Initial Purchaser</b>	<b>Principal Amount of Notes</b>
Citigroup Global Markets Inc.....	U.S.\$120,371,000
J.P. Morgan Securities LLC.....	U.S.\$120,371,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	U.S.\$120,371,000
Santander Investment Securities Inc.....	U.S.\$120,371,000
Banco Bradesco BBI S.A. ....	U.S.\$18,516,000
<b>Total</b> .....	<b>U.S.\$500,000,000</b>

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.

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 an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or the offering may be terminated.

The notes were initially offered at the price indicated on the cover page of this offering memorandum. The Issuer and the Guarantors 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 their counsel. The initial purchasers may offer and sell the notes through any of their respective affiliates.

The Issuer and the Guarantors have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make in respect of those liabilities.

The Issuer and the Guarantors 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 the initial purchasers, 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 the Guarantors (other than the notes).

The initial purchasers are not obligated to make a market in the notes. Accordingly, the Issuer and the Guarantors 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 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 and/or their affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

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 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 ours or our affiliates. If any of the Initial Purchasers or their affiliates has a lending relationship with us, certain of those Initial Purchasers or their affiliates routinely hedge, and certain other of those Initial Purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these 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 notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes 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."

The notes were delivered to purchasers 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*, or Clearstream, on January 20, 2017.

## **Selling Restrictions**

### ***Canada***

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts*, or the NI 33-105, the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### ***European Economic Area***

In relation to each Member State of the European Economic Area (each, a “Member State”), there shall be no offer of notes to the public in that Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Directive (as defined below), except that, with effect from and including the Relevant Implementation Date, an offer of notes may be made to the public in that Member State at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in 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 Guarantors of a prospectus pursuant to Article 3(2) of the Prospectus Directive.

For the purposes of this provision, (i) the expression an “offer of notes to the public” in relation to any of the notes in any 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 Member State by any measure implementing the Prospectus Directive in that Member State, (ii) the expression “Prospectus Directive” means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in each Member State.

### ***United Kingdom***

Each of the Initial Purchasers, severally and not jointly, 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 offering memorandum 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 offering memorandum 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 offering memorandum relates is only available to, and will be engaged in with, relevant persons.

### ***Grand Duchy of Luxembourg***

*Notice to Luxembourg Investors.* This offering memorandum has not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*, or the CSSF, or a competent authority of another EU Member State for notification to the CSSF, for the purposes of a public offering or sale in Luxembourg. Accordingly, the notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum, the indenture nor any other circular, prospectus, form of application, advertisement or other material related to such offer may be distributed, or otherwise be made available in or from, or published in, Luxembourg except for the sole purpose of the admission of the notes to trading on the Euro MTF and listing on the Official List of the Luxembourg Stock Exchange and except

in circumstances which do not constitute an offer of securities to the public requiring the publication of a prospectus in accordance with the Luxembourg Act of 10 July 2005 on prospectuses for securities, as amended, or the Prospectus Act, and implementing the Prospectus Directive. Consequently, this offering memorandum and any other offering circular, prospectus, form of application, advertisement or other material may only be distributed to (i) Luxembourg qualified investors as defined in the Prospectus Act, (ii) no more than 149 prospective investors, which are not qualified investors and/or (iii) in any other circumstance contemplated by the Prospectus Act.

### ***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, or 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 notes 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 notes 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 notes 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 notes has not been registered pursuant to Italian securities legislation and, accordingly, no notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the notes 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, or 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, or the 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 notes or distribution of copies of this offering memorandum or any other document relating to the notes 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 notes have not been and will not be issued nor publicly placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the notes has not been nor will be registered with the CVM. Except for public offerings with restricted placement efforts, as regulated by CVM Instruction No. 476, issued by the CVM on January 16, 2009, any public offering or distribution, as defined under Brazilian laws and regulations, of securities in Brazil is not legal without prior registration under Law No. 6,385, of December 7, 1976, as amended, and CVM 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 distributed 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 offering for subscription or sale of the notes to the public in Brazil. Therefore, each of the Initial Purchasers has, severally and note jointly, represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the notes 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 notes in 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”).

*La oferta de los valores comienza el 4 de enero de 2017 y está acogida a la NCG 336 de la superintendencia de Valores y Seguros de Chile (la “SVS”). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.*

### ***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.

### ***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 notes 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.

### ***Hong Kong***

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) 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. No person may 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 notes 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 notes 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 notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the FIEA) and each Initial Purchaser has represented and agreed that it will not offer or sell any note, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### ***Singapore***

Each Initial Purchaser has acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore, or the SFA. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, Chapter 289 of Singapore; (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (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 is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the securities under Section 275 of the SFA except:

- a. to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- b. where no consideration is or will be given for the transfer;
- c. where the transfer is by operation of law;
- d. as specified in Section 276(7) of the SFA;
- e. or as specified in Regulation 32 of the Securities and Futures (Offers and Investments) (Shares and Debentures) Regulations 2005 of Singapore.

#### ***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 Centre***

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 Centre 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.

## TRANSFER RESTRICTIONS

The notes (including the guarantees) 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 the 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 and the guarantees 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 (including the guarantees) 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 combined consolidated 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 and the Guarantors 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, except to a qualified institutional buyer in compliance with Rule 144A in a transaction meeting the requirements of the indenture.

(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 ISSUER 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 us and the Issuer by Davis Polk & Wardwell LLP and for the Initial Purchasers by White & Case LLP. Certain Brazilian legal matters relating to the notes and the guarantees will be passed upon for us and the Issuer by Lefosse Advogados and for the Initial Purchasers by Barbosa Müssnich Araújo Advogados. Certain Luxembourg legal matters relating to the notes will be passed upon for the Issuer by NautaDutilh Avocats Luxembourg S.à r.l.

## INDEPENDENT AUDITORS

Our combined consolidated financial statements as of and for the fiscal year ended March 31, 2015 (with the corresponding figures for the fiscal year ended March 31, 2014), included elsewhere in this offering memorandum, have been audited by PricewaterhouseCoopers Auditores Independentes, as stated in their report appearing herein. PwC is registered the Regional Accounting Council (*Conselho Regional de Contabilidade*) of the state of São Paulo in Brazil.

Our combined consolidated financial statements as of and for the fiscal year ended March 31, 2016 (with the corresponding figures for the fiscal year ended March 31, 2015) included elsewhere in this offering memorandum, have been audited by KPMG Auditores Independentes, or KPMG, as stated in their report appearing herein. KPMG is a member of the Regional Accounting Council (*Conselho Regional de Contabilidade*) of the state of São Paulo in Brazil.

With respect to our unaudited interim combined consolidated financial information as of and for the six-month period ended September 30, 2016, included elsewhere in this offering memorandum, KPMG Auditores Independentes reported that they have applied limited procedures in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively) for a review of such information. However, their separate report included elsewhere in this offering memorandum states that they did not audit and they do not express an opinion on that unaudited combined consolidated financial information. Accordingly, the degree of reliance on their report on such financial information should be restricted in light of the limited nature of the review procedures applied.

## 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 January 20, 2017. The CUSIP, ISIN and Common Code numbers for the notes are as follows:

	<b>Restricted Global Note</b>	<b>Regulation S Global Note</b>
CUSIP .....	75102X AA4	L7909C AA5
ISIN .....	US75102XAA46	USL7909CAA55
Common Codes .....	155427329	155427523

2. Copies of the latest audited annual financial statements and unaudited quarterly financial information of each of Raízen Energia and Raízen Combustíveis, copies of the Issuer's articles of association and by-laws, and each of Raízen Energia and Raízen Combustíveis' *estatuto social* (by-laws), as well as the indenture (including forms of notes) and the contracts of the guarantees, will be available (free of charge) at the offices of any paying agent. The Issuer will make available copies of its yearly financial statements at the offices of any paying agent.

3. Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position since September 30, 2016 the date our latest unaudited combined consolidated financial statements included in this offering memorandum.

4. There has been no material adverse change in the prospects of the Issuer since March 31, 2016, the date of its latest unaudited annual financial statements.

5. Application has been made to list the notes offered pursuant to this offering memorandum on the Official List of the Luxembourg Stock Exchange and to have them traded on the Euro MTF.

6. The issuance of the notes in connection with this offer was authorized by the board of directors of the Issuer on December 15, 2016. The issuance of the guarantees was authorized by the board of directors of Raízen Energia on January 12, 2017.

7. Neither we nor the Issuer are 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 or the Issuer except as disclosed in this offering memorandum.

## 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. 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.

A valid judgment with respect to the notes, obtained against a company organized and established in Luxembourg from a court of competent jurisdiction in the United States, remains in full force and effect after all available appeals in the relevant State or Federal jurisdiction have been taken and may be entered and enforced through a court of competent jurisdiction of Luxembourg in compliance with the enforcement (*exequatur*) procedures set out at Articles 678 et seq. of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*), being:

- the U.S. court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. court order or judgment must not result from an evasion of Luxembourg law (*fraude à la loi*);
- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;
- the judgment is enforceable in the jurisdiction where the decision has been rendered;
- the judgment was granted following proceedings where the defendant had the opportunity to appear, was granted the necessary time to prepare its case and, if it appeared, could present a defense; 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 has been given in proceedings of a criminal or tax nature.

If an original action is brought in Luxembourg, a court of competent jurisdiction may refuse to apply the designated law if its application contravenes Luxembourg's international public policy and, if such action is brought on the basis of U.S. Federal or State securities laws, may not have the requisite power to grant the remedies sought.

## Insolvency Proceedings in Luxembourg

Luxembourg insolvency proceedings may have a material adverse effect on the Issuer's business and assets and the Issuer's respective obligations under the notes. Under Luxembourg insolvency laws, your ability to receive payment on the notes may be more limited than under United States bankruptcy laws. The following types of proceedings (altogether referred to as insolvency proceedings) may be opened against an Issuer having its registered office or center of main interests in Luxembourg:

- bankruptcy (*faillite*) proceedings, the opening of which may be requested by the company or by any of its creditors; following such a request, a competent Luxembourg court may open bankruptcy proceedings if the company (1) is unable to pay its debts as they fall due (*cessation des paiements*), and (2) has lost its commercial creditworthiness (*ébranlement de crédit*); if a court finds that these conditions are met without any request, it may also open bankruptcy proceedings on its own motion;
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the company and not by its creditors;
- a reorganization order requires the prior approval by more than 50% in number of the creditors representing more than 50% of the company's liabilities in order to take effect; and
- voluntary composition with creditors (*concordat préventif de faillite*), upon request only by the company (subject to obtaining the consent of the majority of its unsecured creditors representing at least 75% (seventy-five per cent.) of the company's liabilities) and not by its creditors. The court's decision to admit a company to a composition with participating creditors triggers a provisional stay on enforcement of claims by participating creditors while other creditors may pursue their claims individually.

In addition to these insolvency proceedings, your ability to receive payment on the notes may be affected by a decision of a court to grant a suspension of payments (*sursis de paiement*) or to put the Issuer into judicial liquidation (*liquidation judiciaire*). Judicial winding up proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or seriously breaching the laws governing commercial companies. The management of such winding up proceedings will generally follow the rules of bankruptcy proceedings.

Generally, during the insolvency proceedings, all enforcement measures by general secured and unsecured creditors against the company are stayed, while certain secured creditors (pledgees or mortgagees) retain the ability to settle separately while the debtor is in bankruptcy. Collateral over which a security right has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus of enforcement proceeds is realized). During controlled management proceedings, enforcement measures are suspended until the final reorganization order from the adjudicating court, declarations of default and any subsequent acceleration upon the occurrence of an event of default may not be enforceable and participating secured creditors in composition proceedings are required to abandon their security. Under the Luxembourg Act dated 5 August 2005 concerning financial collateral arrangements, as amended, or the Collateral Act, secured creditors holding qualifying collateral in the form of financial instruments or claims may enforce their security during the insolvency proceedings without court approval outside the general body of creditors and satisfy their claim in order of their priority in the enforcement proceeds.

Liabilities of the Issuer in respect of its notes will, in the event of a liquidation of such Issuer following bankruptcy or judicial winding-up proceedings, rank junior to the cost of such proceedings (including any debt incurred for the purpose of such bankruptcy or judicial winding-up) and those debts of the Issuer that are entitled to priority under Luxembourg law. Preferential rights arising by operation of law under Luxembourg law include

- certain amounts owed to the Luxembourg Revenue
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise Agency;
- social security contributions; and
- remuneration owed to employees.

Luxembourg insolvency law may also affect transactions entered into or payments made by the Issuer during the hardening period (*période suspecte*) (which is a maximum of 6 (six) months and 10 (ten) days) preceding the judgment adjudicating the insolvency proceedings, in particular, the granting of a security right for antecedent debt, the payment of debt not due (whether or not payment is made in cash or by way of assignment, sale, set-off or by any other means) or of debt due by any means other than cash or bill of exchange or the sale of assets without consideration or with substantially inadequate consideration. These transactions must be declared null and void, in all circumstances, at the request of the competent Luxembourg insolvency official (including any *commissaire, juge-commissaire, liquidateur* or *curateur* or similar official). Further, if the insolvency official demonstrates that (1) an adequate payment in relation to a due debt was made during the hardening period to the detriment of the general body of creditors, and/or (2) the party receiving such payment knew that the company had ceased payments when such payment occurred, the insolvency official has the power, among other things, to invalidate such preferential transaction. Notwithstanding the above, a financial collateral arrangement under the Collateral Act entered into after the opening of liquidation proceedings or the entry into force of reorganization measures is valid and binding against third parties or insolvency officials notwithstanding the hardening period if the collateral taker proves that it was unaware of the opening of such proceedings or of the taking of such measures or that it could not reasonably have been aware of them. Generally, if the insolvency official demonstrates that the Issuer has given a preference to any person by defrauding the rights of creditors generally, a competent insolvency official (acting on behalf of the creditors) has the power to challenge such preferential transaction (including the granting of security right with fraudulent intent) without limitation of time.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in an automatic termination of contracts except for personal (*intuitu personae*) contracts, that is, contracts for which the identity of the company or its solvency were crucial. However, the insolvency official may choose to terminate certain onerous contracts. 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 the Issuer's business and assets and the Issuer's respective obligations under the notes (as Issuer).

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the EU Regulation 1346/2000 of 29 May 2000 on insolvency proceedings, or the EU Insolvency Regulation.

## **Brazil**

We have been advised by 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—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 in the jurisdiction where rendered;
- is not in conflict with a previous final and binding (*res judicata*) judgment on the same matter and involving the same parties issued in Brazil;
- is for payment of a fixed amount;
- is authenticated by the Brazilian consulate with jurisdiction over the place the judgment is rendered. If such foreign judgment was authenticated in a country that is signatory of the Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents dated as of October 5, 1961, or the Apostille Convention, authentication by a Brazilian Diplomatic Office or Consulate is not required;

- is translated into Portuguese by a certified sworn translator; and
- does not violate Brazilian public policy (as set forth in Brazilian law).

We have also been advised that civil actions may be brought with 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).

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 (i) 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*); (ii) execution of a judgment; (iii) counterclaims; and (iv) when some international agreement signed by Brazil dismisses the obligation to post a bond, as established under Article 83, 1<sup>st</sup> paragraph of the Brazilian Code of Civil Procedure.

If proceedings are brought in the courts of Brazil seeking to enforce our obligations under the notes, we would not be required to discharge our obligations in a currency other than *reais*. Any judgment obtained against us in Brazilian courts in respect of any payment obligations under the notes would be expressed in *reais*.

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.

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# RAÍZEN Group

**Combined consolidated and  
condensed interim financial  
information on September 30,  
2016**



KPMG Auditores Independentes

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## **Independent auditors' report on review of combined consolidated and condensed interim financial information**

To the Board of Directors and Shareholders of  
Raízen Group  
São Paulo - SP

### **Introduction**

We have reviewed the combined consolidated and condensed interim financial information of Raízen Energia S.A. and Raízen Combustíveis S.A. ("Raízen Group"), which comprises the financial position as at September 30, 2016, and the related statements of income and comprehensive income (loss) for the three and six-months period ended September 30, 2016 and changes in equity and cash flows for the six-month period ended September 30, 2016.

The Raízen Group's Management is responsible for the preparation of the combined consolidated and condensed interim financial information in accordance with the Technical Pronouncement CPC 21(R1) - Interim Statement and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB. 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 the Brazilian and international review standards for interim information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim 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 auditing standards 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 combined consolidated and condensed interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the combined consolidated and condensed interim financial information has not been prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34 issued by IASB.



## Emphasis

### ***Basis for the preparation and presentation***

We draw attention to note 2.1 to the combined consolidated and condensed interim financial information, which describes the basis of preparation of these combined consolidated and condensed interim financial information. This combined consolidated and condensed interim financial information does not necessarily represents the financial position, the financial performance and the cash flows that would have been obtained if the Raízen Group had operated as a single legal entity during the period. The combined consolidated interim and condensed financial statements were prepared to present the financial position, the financial performance and the cash flows of the entities under joint-control of Cosan Limited and Royal Dutch Shell and, therefore may not be useful for others purposes. Our conclusion is not qualified in respect of this matter.

São Paulo, November 10, 2016

KPMG Auditores Independentes  
CRC 2SP014428/O-6

Ulysses M. Duarte Magalhães  
Accountant CRC RJ-092095/O-8

## RAÍZEN Group

### Combined consolidated financial position as of September 30 and March 31, 2016

In thousands of Reais - R\$

	Note	09/30/2016	03/31/2016 (restated)
Assets			
Current assets			
Cash and cash equivalents	3	4,328,303	4,372,631
Restricted cash	4	863,056	874,605
Derivative financial instruments	23	388,382	638,079
Trade accounts receivable	5	2,299,883	1,758,781
Inventories	6	4,103,509	1,677,331
Biological assets	7	779,066	973,373
Recoverable income and social contribution taxes	15.b	381,887	378,215
Recoverable taxes and contributions		715,234	428,959
Advances to suppliers		181,268	210,215
Other financial assets	8	10,587	10,028
Related parties	9	504,846	491,358
Assets held for sale	10	-	243,086
Other receivables		145,089	206,471
Total current assets		<u>14,701,110</u>	<u>12,263,132</u>
Non-current assets			
Trade accounts receivable	5	283,584	305,586
Derivative financial instruments	23	323,097	597,653
Other financial assets	8	1,492,524	1,445,442
Recoverable income and social contribution taxes	15.b	538,975	560,920
Recoverable taxes and contributions		336,743	306,854
Related parties	9	953,018	713,635
Advances to suppliers		75,739	34,820
Deferred income and social contribution taxes	15.d	388,319	322,041
Judicial deposits	16	314,590	293,465
Other receivables		84,466	84,658
Investments	10	386,064	210,425
Property, plant and equipment	11	9,963,262	10,640,032
Intangible assets	12	4,105,969	3,992,791
Total non-current assets		<u>19,246,350</u>	<u>19,508,322</u>
Total assets		<u><u>33,947,460</u></u>	<u><u>31,771,454</u></u>

The notes are an integral part of this combined consolidated and condensed interim financial information.

## RAÍZEN Group

### Combined consolidated financial position as of September 30 and March 31, 2016

In thousands of Reals – R\$

(continued)

	Note	09/30/2016	03/31/2016 (restated)
Liabilities			
Current liabilities			
Loans and financing	14	1,718,682	1,639,509
Derivative financial instruments	23	624,495	579,278
Trade payables	13	2,081,716	1,665,971
Payroll and related charges payable		414,384	494,543
Income and social contribution taxes payable	15.c	22,448	116,943
Taxes payable		211,901	228,523
Dividends and interest on own capital payable	18.c	2,176	284,794
Related parties	9	1,450,236	860,980
Advances from clients	5	577,041	105,912
Other liabilities		411,387	480,622
Total current liabilities		<u>7,514,466</u>	<u>6,457,075</u>
Non-current Liabilities			
Loans and financing	14	11,039,495	11,213,217
Derivative financial instruments	23	610,292	325,944
Taxes and contributions payable		11,371	11,437
Related parties	9	1,311,776	1,240,405
Provision for legal disputes	16	1,001,147	761,616
Deferred income and social contribution taxes	15.d	403,071	232,976
Other liabilities		326,891	376,707
Total non-current liabilities		<u>14,704,043</u>	<u>14,162,302</u>
Total liabilities		<u>22,218,509</u>	<u>20,619,377</u>
Equity			
Attributed Group's controlling shareholders			
Share capital	18.a	8,231,104	8,256,042
Capital reserves	18.b	1,698,063	1,672,262
Equity valuation adjustments	18.d	(791,757)	(533,611)
Income reserves	18.c and 18.e	1,724,848	1,760,620
Retained earnings (losses)		680,389	(172,809)
		<u>11,542,647</u>	<u>10,982,504</u>
Equity attributable to non-controlling shareholders		<u>186,304</u>	<u>169,573</u>
Total equity		<u>11,728,951</u>	<u>11,152,077</u>
Total liabilities and equity		<u><u>33,947,460</u></u>	<u><u>31,771,454</u></u>

The notes are an integral part of this combined consolidated and condensed interim financial information.

## RAÍZEN Group

### Combined consolidated statements of income Three and six-months periods ended September 30, 2016 and 2015 In thousands of Reais - R\$

	Note	Jul-Sep /2016	Apr-Sep/ 2016	Jul-Sep/2015 (restated)	Apr-Sep/2015 (restated)
Net operating revenue	19	19,763,817	38,647,376	17,888,013	34,127,833
Costs of products sold and services provided	20	(18,123,300)	(35,712,311)	(16,676,024)	(32,156,002)
Gross income		1,640,517	2,935,065	1,211,989	1,971,831
Operating income (expenses)					
Selling	20	(489,990)	(951,939)	(476,508)	(828,404)
General and administrative	20	(228,620)	(459,652)	(224,312)	(439,888)
Other operating income, net	21	401,944	507,322	95,755	180,202
Equity accounting result	10	(13,138)	(25,627)	(11,297)	(19,655)
		(329,804)	(929,896)	(616,362)	(1,107,745)
Income before financial income (loss) and taxes		1,310,713	2,005,169	595,627	864,086
Financial results					
Financial expenses	22	(341,549)	(545,022)	(31,275)	(222,394)
Financial income	22	202,847	405,314	181,494	326,280
Net exchange variation	22	(42,643)	336,117	(1,026,629)	(853,266)
Net effect of the derivatives	22	107,102	(248,435)	320,992	172,657
		(74,243)	(52,026)	(555,418)	(576,723)
Income before income and social contribution taxes		1,236,470	1,953,143	40,209	287,363
Income and social contribution taxes	15.a				
Current		(230,968)	(316,329)	(8,125)	(162,605)
Deferred	15.e	(150,337)	(238,108)	66,904	149,900
		(381,305)	(554,437)	58,779	(12,705)
Net income for the period		855,165	1,398,706	98,988	274,658
Attributable to:					
Controlling shareholders		842,364	1,373,722	92,848	261,494
Non-controlling shareholders		12,801	24,984	6,140	13,164
		855,165	1,398,706	98,988	274,658

The notes are an integral part of this combined consolidated and condensed interim financial information.

## RAÍZEN Group

### Combined consolidated statements of comprehensive income (loss)

Three and six-months periods ended September 30, 2016 and 2015

(In thousands of Reais - R\$)

	From July to September 2016	From April to September 2016	From July to September 2015 (restated)	From April to September 2015 (restated)
Net income for the period	855,165	1,398,706	98,988	274,658
Comprehensive income (loss)				
Items that are or may be reclassified to income				
Net loss on financial instruments designated as hedge accounting (Note 23.e)	(105,646)	(394,977)	(291,441)	(190,594)
Effect of foreign currency translation - CTA	(81)	2,540	262	67
Deferred taxes on adjustments (Note 15.e)	35,920	134,291	99,090	64,815
	<u>(69,807)</u>	<u>(258,146)</u>	<u>(192,089)</u>	<u>(125,712)</u>
Other components of the comprehensive income (loss) for the period	<u>(69,807)</u>	<u>(258,146)</u>	<u>(192,089)</u>	<u>(125,712)</u>
Total comprehensive income (loss) for the period	<u>785,358</u>	<u>1,140,560</u>	<u>(93,101)</u>	<u>148,946</u>
Attributable to:				
Controlling shareholders	772,557	1,115,576	(99,241)	135,782
Non-controlling shareholders	<u>12,801</u>	<u>24,984</u>	<u>6,140</u>	<u>13,164</u>
	<u>785,358</u>	<u>1,140,560</u>	<u>(93,101)</u>	<u>148,946</u>

The notes are an integral part of this combined consolidated and condensed interim financial information.

## RAÍZEN Group

### Combined consolidated statements of changes in Equity Six-month period ended September 30, 2016 In thousands of Reais - R\$

	Capital reserves					Income reserves		
	Share capital	Capital reserve	Special Law No. 8.200/91	Goodwill special reserve	Equity valuation adjustments	Tax incentives	Legal	Profit retention
Balances as at April 1, 2016, as previously disclosed	8,256,042	1,426,347	2,804	243,111	(533,611)	170,141	306,490	1,283,989
Impact of the adoption of changes in reviewed IAS 16 and 41 (Note 2.4)	-	-	-	-	-	-	-	-
Balances as at April 1, 2016 (Restated)	8,256,042	1,426,347	2,804	243,111	(533,611)	170,141	306,490	1,283,989
Comprehensive income (loss) for the period								
Net income for the period	-	-	-	-	-	-	-	-
Net loss with financial instruments designated as hedge accounting	-	-	-	-	(260,686)	-	-	-
Effect of foreign currency translation - CTA	-	-	-	-	2,540	-	-	-
Total comprehensive income (loss) for the period	-	-	-	-	(258,146)	-	-	-
Contributions from (distributions to) Group's shareholders								
Partial reversal of the redemption of Class C preferred shares (Note 18.a.2 and b.)	(26,277)	26,277	-	-	-	-	-	-
Allocation of dividends to holders of preferred shares (Note 18.c)	1,339	-	-	-	-	-	-	(2,772)
Payment of dividends and interest on own capital (Note 18.c)	-	-	-	-	-	-	-	(33,000)
Partial realization of reserve	-	-	(476)	-	-	-	-	-
Initial recognition of non-controlling interest	-	-	-	-	-	-	-	-
Total contributions from (distributions to) Group's shareholders	(24,938)	26,277	(476)	-	-	-	-	(35,772)
Balances as at September 30, 2016	8,231,104	1,452,624	2,328	243,111	(791,757)	170,141	306,490	1,248,217

\* As disclosed in Note 2.2, the combined consolidated companies are not operated as a single legal entity.

The notes are an integral part of this combined consolidated and condensed interim financial information.

## RAÍZEN Group

### Combined consolidated statements of changes in Equity Six-month periods ended September 30, 2015 In thousands of Reais - R\$

	Capital reserves					Income reserves		
	Share capital	Capital reserve	Special Law No. 8.200/91	Goodwill special reserve	Equity valuation adjustments	Tax incentives	Legal	Profit retention
Balances as at April 1, 2015, as previously disclosed	8,117,972	1,564,831	4,260	243,111	14,663	30,256	247,208	1,005,462
Impact of the adoption of changes in reviewed IAS 16 and 41 (Note 2.4)	-	-	-	-	-	-	-	-
Balances as at April 1, 2015 (Restated)	8,117,972	1,564,831	4,260	243,111	14,663	30,256	247,208	1,005,462
Comprehensive income (loss) for the period								
Net income for the period	-	-	-	-	-	-	-	-
Net loss with financial instruments designated as hedge accounting	-	-	-	-	(125,779)	-	-	-
Effect of foreign currency translation - CTA	-	-	-	-	67	-	-	-
Total comprehensive income (loss) for the period	-	-	-	-	(125,712)	-	-	-
Contributions from (distributions to) Group's shareholders								
Initial recognition of non-controlling interest	-	-	-	-	-	-	-	-
Payment of dividends and interest on own capital	-	-	-	-	-	-	-	(341,460)
Reversal of minimum mandatory dividends	-	-	-	-	-	-	-	-
Realization of reserves and other	-	(568)	(1,041)	-	-	-	-	-
Total contributions from (distributions to) Group's shareholders	-	(568)	(1,041)	-	-	-	-	(341,460)
Balances as at September 30, 2015	8,117,972	1,564,263	3,219	243,111	(111,049)	30,256	247,208	664,002

\* As disclosed in Note 2.2, the combined consolidated companies are not operated as a single legal entity.

The notes are an integral part of this combined consolidated and condensed interim financial information.

# RAÍZEN Group

## Combined consolidated statements of cash flows Six-month periods ended September 30, 2016 and 2015

In thousands of Reais - R\$

	<b>From April to September 2016</b>	<b>From April to September 2015 (restated)</b>
Cash flow from operating activities		
Income before income and social contribution taxes	1,953,143	287,363
Adjustments:		
Depreciation and amortization (Notes 19 and 20)	1,193,055	1,019,818
Loss (gain) arising from change in the fair value and realization of the gain or loss of changes in fair value of biological assets (Note 20)	112,561	(44,115)
Equity accounting result (Note 10)	25,627	19,655
Gain from sale of property, plant and equipment (Note 21)	(62,813)	(42,968)
Provision of allowance for doubtful accounts, net and write-offs of invoices	4,214	19,295
Provision for legal disputes, net	15,622	4,505
Interest, monetary and exchange variations, net	(256,303)	1,457,037
Change in fair value of financial instruments (Notes 14, 22 and 23)	80,996	(234,720)
Amortization of prepaid revenues	(21,575)	(25,165)
Amortization of expenses paid in advance	36,835	29,732
Unrealized loss (gain) on derivative transactions	676,869	(389,139)
Gain in the disposal of shares (Note 21)	(166,132)	-
Gain from the recognition of tax credits, net (Note 21)	(225,933)	(27,193)
Loss (gain) with commercial operations (Note 21)	34,105	(5,824)
Constituiton (reversal) of provision for losses on fixed and intangible assets, net (Note 11 and 21)	5,985	(2,696)
Other	(5,154)	7,564
Changes in assets and liabilities		
Trade accounts receivable and advances from customers	(24,761)	(135,561)
Inventories	(1,982,173)	(1,607,502)
Restricted cash	17,905	14,943
Derivative financial instruments	(321,286)	168,572
Related party transactions	670,760	(173,933)
Trade payables and advances to suppliers	399,950	318,467
Recoverable and payable taxes, net	(320,152)	(203,477)
Payroll and related charges payable	(97,329)	(51,331)
Other assets and liabilities, net	(88,641)	(100,693)
Income tax and social contribution paid	(132,056)	(131,243)
Net cash generated in operation activities	<u>1,523,319</u>	<u>171,391</u>
Cash flow from investment activities		
Additions to investment (Note 10.b.i)	(118,312)	(23,415)
Additions to property, plant and equipment and intangible assets (Notes 11 and 12)	(710,611)	(623,324)
Additions to biological assets (Note 7)	(306,430)	(278,044)
Cash received upon disposal of fixed assets	100,727	87,164
Cash received upon disposal of investment (Note 10.b.ii)	413,556	-
Dividends received from associated companies	20,014	2,070
Net cash used in investment activities	<u>(601,056)</u>	<u>(835,549)</u>
Cash flow from financing activities		
Loans and financing	911,770	1,368,051
Amortizations of principal of loans and financing	(596,779)	(634,520)
Payment of interest on loans and financing	(301,871)	(260,293)
Financial investments linked to financing (Restricted cash)	10,409	(5,995)
Dividends and interest on own capital paid (Note 18.c)	(943,165)	(241,282)
Other	(16)	-
Net cash (used) generated in financing activities	<u>(919,652)</u>	<u>225,961</u>
Increase (decrease) in cash and cash equivalents, net	2,611	(438,197)
Cash and cash equivalents at the beginning of the period (Note 3)	4,372,631	4,028,230
Effect of exchange variation on cash and cash equivalents	(46,939)	58,852
Cash and cash equivalents at the end of the period (Note 3)	<u><u>4,328,303</u></u>	<u><u>3,648,885</u></u>

The notes are an integral part of this combined consolidated and condensed interim financial information.

## RAÍZEN Group

Notes to the combined consolidated and condensed interim financial information as of September 30, 2016  
In thousands of Reals - R\$, unless otherwise indicated

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### 1. Operations

RAÍZEN Group (“Group”) is basically engaged in the following activities and comprises the following companies:

#### (a) Raízen Energia S.A. and subsidiaries (“Raízen Energia” or “RESA”):

RESA is a publicly held corporation, registered in the CVM (Brazilian Securities Commission), category B, headquartered in the city and state of São Paulo, Brazil. RESA was organized on June 1, 2011 and is indirectly and jointly controlled by Royal Dutch Shell (“Shell”) and Cosan Limited (“Cosan”).

RESA engages in producing and marketing sugar and ethanol, and trading, both domestically and abroad through its subsidiaries Raízen Trading LLP and Raízen International Universal Corporation, and co-generating energy produced from bagasse at its 24 plants located in Brazil's Center-Southern Region.

Sugarcane farming requires a period ranging from 12 to 18 months for maturing and harvesting and generally starts between the months of April and May every year, and usually ends between November and December, period in which sugar and ethanol are also produced. Production is sold during the whole year and does not fluctuate over the seasons, but is affected by normal market supply and demand fluctuations. Because of RESA's production cycle, its fiscal year and the fiscal year of Raízen Combustíveis S.A. and therefore of RAÍZEN Group starts on April 1 and ends on March 31.

This may cause fluctuations in inventories, which are usually higher in November and December to cover off season sales (from December to April) and in gross profit, which is likely to be lower in the last quarter of the fiscal year (from October to December).

During the six-month period ended September 30, 2016, RESA and its subsidiaries went through the following corporate restructurings: (i) downstream merger of Raízen Tarumã Ltda. (“Tarumã”) into Raízen Paraguaçu Ltda. (“Paraguaçu”) and (ii) merger of Raízen Luxembourg S.A. (“Luxembourg”) into Raízen Fuels Finance S.A. (“Fuels”). Details of these transactions are described in Note 25.

#### (b) Raízen Combustíveis S.A. and its subsidiaries (“Raízen Combustíveis” or “RCSA”):

RCSA is a closely-held corporation and is headquartered in the city and state of Rio de Janeiro, Brazil. RCSA is indirectly jointly-controlled by Shell and Cosan.

RCSA is engaged in: (i) distributing and marketing oil and ethanol by-products, and other fluid hydrocarbons and their by-products under Shell brand; (ii) marketing natural gas and operating as commercial representative for the sale of lubricants at gas stations; (iii) purchasing and selling products and merchandise at convenience stores; (iv) importing and exporting the products previously mentioned and; (v) holding ownership interest in other companies.

During the quarter ended September 30, 2016, RCSA recognized the gain on the disposal of ownership interest in Serviços e Tecnologia de Pagamentos S.A. (“STP”), in the amount of R\$ 166,132. Additionally, the RCSA has been through corporate restructuring involving Fuels and Luxembourg, consequently the ownership has been transferred to RESA. The details of such operation are described on Notes 10.b.ii and 25.ii, respectively.

## **RAÍZEN Group**

**Notes to the combined consolidated and condensed interim financial information as of September 30, 2016**  
**In thousands of Reals - R\$, unless otherwise indicated**

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### **(c) Other information**

The synergy between RESA and RCSA makes RAÍZEN Group to be currently positioned in a special place in the Brazilian market. The two companies work in a complementary manner, and therefore, reporting their combined consolidated businesses is a key tool to allow the market to evaluate the Group as a whole.

Although they are not set up as a group pursuant to article 265 of Brazilian Corporation Law (“LSA”), companies of RAÍZEN Group disclose such combined consolidated interim financial information to provide information that best reflects their gross cash flows from operating activities.

The RAÍZEN Group's combined consolidated and condensed interim financial information have been presented exclusively to provide information about all the RAÍZEN Group's activities in a single financial statement, regardless of the Group's corporate structure, although are jointly controlled.

As a result, these combined consolidated and condensed interim financial information does not represent the individual or consolidated annual financial statements of each entity (RESA and RCSA) and its subsidiaries and should not be used as a basis for the calculation of dividends or taxes, or for any other corporate or statutory purposes and does not necessarily provide indicators of the current or future profit or loss that would have been earned had these combined companies been operating as one single legal entity.

## **RAÍZEN Group**

**Notes to the combined consolidated and condensed interim financial information as of September 30, 2016**  
In thousands of Reais - R\$, unless otherwise indicated

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### **2. Presentation of interim financial information and significant accounting policies**

#### **2.1. Basis of preparation**

The combined consolidated and condensed interim financial information have been prepared in accordance with the Technical Pronouncement CPC 21(R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB.

The combined consolidated and condensed interim financial information has been prepared in accordance with the accounting policies applied to the preparation of the annual financial statements as of March 31, 2016, authorized for issue by Management on May 27, 2016, and should be read together with such financial statements, except for provisions introduced by IAS 16/CPC 27 - Property, plant and equipment and IAS 41/CPC 29 - Agriculture, for the treatment of biological assets (Note 2.4). The information in the notes that has not significantly changed when compared with that included in the financial statements as of March 31, 2016, was not fully repeated in these combined consolidated and condensed interim financial information. However, selected information was included to explain the main events and transactions and to allow the understanding of the changes in the Group's financial position and results of operations since the publication of the annual financial statements as of March 31, 2016.

The preparation of this combined consolidated interim financial information requires Management to make judgments, estimates and assumptions that affect the application of Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and have not been changed for the preparation of this combined consolidated and condensed interim financial information when compared with the annual financial statements of March 31, 2016.

Raízen Group Management authorized the combined consolidated and condensed interim financial information for issue on November 10, 2016.

#### **2.2. Combination criteria**

Such combined consolidated and condensed interim financial information includes the following companies:

- Raízen Energia S.A. and its subsidiaries
- Raízen Combustíveis S.A. and its subsidiaries

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the combined consolidated and condensed financial information.

## RAÍZEN Group

Notes to the combined consolidated and condensed interim financial information as of September 30, 2016  
In thousands of Reais - R\$, unless otherwise indicated

The assets and equity for the period ended September 30 and year ended March 31, 2016, as well as net income and other comprehensive income (loss) for the six-month ended September 30, 2016 and 2015 of the companies whose accounts have been included in the combined consolidated and condensed interim financial information and the related combined and consolidated balances, after the elimination of intragroup transactions, are as follows:

	Total assets		Total equity	
	09/30/2016	03/31/2016 (restated)	09/30/2016	03/31/2016 (restated)
Raízen Energia S.A. and its subsidiaries	26,035,698	22,610,564	8,602,260	8,382,424
Raízen Combustíveis S.A. and its subsidiaries	11,602,403	10,766,366	3,134,885	2,777,806
	<u>37,638,101</u>	<u>33,376,930</u>	<u>11,737,145</u>	<u>11,160,230</u>
Elimination of balances receivable from commercial transactions	<u>(3,690,641)</u>	<u>(1,605,476)</u>	<u>(8,194)</u>	<u>(8,153)</u>
Combined consolidated balances	<u>33,947,460</u>	<u>31,771,454</u>	<u>11,728,951</u>	<u>11,152,077</u>

	Net income (loss)		Other comprehensive income (loss)	
	09/30/2016	09/30/2015 (restated)	09/30/2016	09/30/2015 (restated)
Raízen Energia S.A. and its subsidiaries	554,048	(232,260)	221,043	(357,972)
Raízen Combustíveis S.A. and its subsidiaries	876,169	518,361	919,558	518,361
	<u>1,430,217</u>	<u>286,101</u>	<u>1,140,601</u>	<u>160,389</u>
Elimination of commercial transactions, unrealized profits and financial transactions	<u>(31,511)</u>	<u>(11,443)</u>	<u>(41)</u>	<u>(11,443)</u>
Combined consolidated income	<u>1,398,706</u>	<u>274,658</u>	<u>1,140,560</u>	<u>148,946</u>

The combined consolidated and condensed interim financial information is a single set of combined consolidated financial statements of two or more entities that are jointly controlled. RESA and RCSA used the definition of control in conformity with the CPC 36 - Consolidated Statements and IFRS 10 - Consolidated Financial Statements, with respect to both the existence of joint control and also to the consolidation procedures.

## RAÍZEN Group

Notes to the combined consolidated and condensed interim financial information as of September 30, 2016  
In thousands of Reais - R\$, unless otherwise indicated

### 2.3. Basis of consolidation

The combined consolidated and condensed interim financial information includes information on RESA and its subsidiaries and of RCSA and its subsidiaries. The direct and indirect subsidiaries of RCSA and RESA are listed below:

Subsidiaries of RESA	Direct and indirect ownership interests	
	09/30/2016	03/31/2016
Agrícola Ponte Alta Ltda.	100%	100%
Agropecuária Santa Hermínia Ltda.	100%	100%
América Trading Investments (i)	-	100%
Benálcool Açúcar e Álcool Ltda.	100%	100%
Bioenergia Araraquara Ltda.	100%	100%
Bioenergia Barra Ltda.	100%	100%
Bioenergia Caarapó Ltda.	100%	100%
Bioenergia Costa Pinto Ltda.	100%	100%
Bioenergia Gasa Ltda.	100%	100%
Bioenergia Jataí Ltda.	100%	100%
Bioenergia Maracaí Ltda.	100%	100%
Bioenergia Rafard Ltda.	100%	100%
Bioenergia Serra Ltda.	100%	100%
Bioenergia Tarumã Ltda.	100%	100%
Bioenergia Univalem Ltda.	100%	100%
Raízen Açúcar Ltda.	100%	100%
Raízen Araraquara Açúcar e Álcool Ltda.	100%	100%
Raízen Centroeste Açúcar e Álcool Ltda.	100%	100%
Raízen Ásia PT Ltd.	100%	100%
Raízen Biogás Ltda. (ii)	100%	-
Raízen Biotecnologia S.A.	100%	100%
Raízen Caarapó Açúcar e Álcool Ltda.	100%	100%
Raízen Centroeste Açúcar e Álcool Ltda.	100%	100%
Raízen Energy Finance Ltd.	100%	100%
Raízen Fuels Finance S.A. (iii)	100%	-
Raízen International Universal Corp.	100%	100%
Raízen Luxemburg S.A. (iv)	-	100%
Raízen North América, Inc.	100%	100%
Raízen Paraguaçu Ltda.	100%	100%
Raízen Tarumã Ltda. (v)	-	100%
Raízen Trading LLP	100%	100%
TEAS Terminal Exportador de Álcool de Santos Ltda.	100%	100%
Unimodal Ltda.	73%	73%

- (i) Extinct company as of August 22, 2016, net assets, in amount of R\$ 34,111, was transferred to subsidiary Raízen Paraguaçu Ltda. ("Paraguaçu"), due to consequent low investment.
- (ii) Company established in May 24, 2016 with the main purpose of producing and trading industrial biogas, organic-mineral fertilizer and electricity from sugarcane waste.
- (iii) Company acquired from RCSA on July 29, 2016.
- (iv) Company incorporated on September 15, 2016 by Raízen Fuels Finance S.A..
- (v) Company incorporated on June 1, 2016 by Raízen Paraguaçu Ltda.

Subsidiaries of RCSA	Direct and indirect ownership interests	
	09/30/2016	03/31/2016
Blueway Trading Importação e Exportação Ltda.	100%	100%
Petróleo Sabbá S.A.	80%	80%
Raízen Fuels Finance S.A. (i)	-	100%
Raízen Mime Combustíveis S.A.	76%	76%
Sabor Raiz Alimentação S.A. ("Sabor Raiz")	60%	60%
Saturno Investimentos Imobiliários Ltda.	100%	100%

- (i) Company disposed of on July 29, 2016.

## RAÍZEN Group

Notes to the combined consolidated and condensed interim financial information as of September 30, 2016  
In thousands of Reals - R\$, unless otherwise indicated

### 2.4. Restatement of values from changes in accounting policies due to the adoption of amendments in accounting standards

RESA adopted amendments to IAS 16 - Property, Plant and Equipment (CPC 27) and IAS 41 - Agriculture (CPC 29) standards as of April 1, 2016. With such changes, bearer biological assets, in case of RESA, sugarcane stubbles are out of IAS 41 scope and must be accounted for in accordance with IAS 16 (CPC 27), that is, cost less accumulated depreciation and possible impairment loss. Consumable biological assets, in case of RESA, such as sugar cane in the field should be defined at fair value and continue in the scope of IAS 41 (CPC 29).

The transition date of the standards was April 1, 2014, the beginning of the earliest comparative period of the financial statements, since the Group discloses three years of results in its annual financial statements. Group decided to adopt the deemed cost to fixed assets on the transition date.

The impacts on the Group's balance sheet on April 1, 2016, and in the statement of income for the three and six-months periods ended September 30, 2015 are as follows:

	<b>April 1, 2016</b>		
	<b>As previously disclosed</b>	<b>Adoption of IAS 16/CPC 27 and IAS 41/CPC 29</b>	<b>Restated</b>
Assets			
Biological assets (Note 7)	-	973,373	973,373
Other	11,289,759	-	11,289,759
Current assets	<u>11,289,759</u>	<u>973,373</u>	<u>12,263,132</u>
Deferred income and social contribution tax (Note 15)	233,018	89,023	322,041
Biological assets	2,463,489	(2,463,489)	-
Property, plant and equipment	9,411,748	1,228,284	10,640,032
Other	8,546,249	-	8,546,249
Non-current assets	<u>20,654,504</u>	<u>(1,146,182)</u>	<u>19,508,322</u>
Total assets	<u>31,944,263</u>	<u>(172,809)</u>	<u>31,771,454</u>
			<b>April 1, 2016</b>
	<b>As previously disclosed</b>	<b>Adoption of IAS 16/CPC 27 and IAS 41/CPC 29</b>	<b>Restated</b>
Liabilities			
Deferred income and social contribution tax (Note 15)	232,976	-	232,976
Others	20,386,401	-	20,386,401
Total liabilities	<u>20,619,377</u>	<u>-</u>	<u>20,619,377</u>
Equity			
Income reserves	1,760,620	-	1,760,620
Accumulated loss (Note 18)	-	(172,809)	(172,809)
Other	9,564,266	-	9,564,266
Total equity	<u>11,324,886</u>	<u>(172,809)</u>	<u>11,152,077</u>
Total liabilities and equity	<u>31,944,263</u>	<u>(172,809)</u>	<u>31,771,454</u>

## RAÍZEN Group

### Notes to the combined consolidated and condensed interim financial information as of September 30, 2016 In thousands of Reais - R\$, unless otherwise indicated

	From July 1 to September 30, 2015			From April 1 to September 30, 2015		
	As previously disclosed	Adoption of IAS 16/CPC 27 and IAS 41/CPC 29	Restated	As previously disclosed	Adoption of IAS 16/CPC 27 and IAS 41/CPC 29	Restated
Net operating revenue	17,888,013	-	17,888,013	34,127,833	-	34,127,833
Costs of products sold and services provided	(16,664,356)	(11,668)	(16,676,024)	(32,044,187)	(111,815)	(32,156,002)
Gross income	1,223,657	(11,668)	1,211,989	2,083,646	(111,815)	1,971,831
Operating expenses	(616,362)	-	(616,362)	(1,107,745)	-	(1,107,745)
Financial results	(555,418)	-	(555,418)	(576,723)	-	(576,723)
Income before income and social contribution taxes	51,877	(11,668)	40,209	399,178	(111,815)	287,363
Income and social contribution taxes	54,812	3,967	58,779	(50,722)	38,017	(12,705)
Net income for the period	106,689	(7,701)	98,988	348,456	(73,798)	274,658

The impact on the statement of comprehensive income (loss) is limited to the net effect of aforementioned income for the period. The impacts on the statements of cash flows are restricted to the reclassification between the lines of operating activities, without, however, affecting the subtotals of operating, investing and financing activities.

#### 2.5. New IFRS and IFRIC Interpretations (IASB Financial Reporting Interpretations Committee) applicable to financial information

The following new standards and interpretations were issued by the IASB but are not yet effective for the period ended September 30, 2016. The early adoption, despite encouraged by the IASB, is not permitted in Brazil by the Accounting Pronouncement Committee (CPC), due to the fact that the same has not yet issued accounting pronouncements or changes to the pronouncements in effect corresponding to the list below:

IFRS 9 - Financial instruments. It covers the classification, measuring and the recognition of financial assets and liabilities. The full version of IFRS 9 was published in July 2014, effective as of January 1, 2018. Management is evaluating the full impact of its adoption.

IFRS 15 - Revenue from contracts with customers. This new standard provides the principles that an entity applies to determine the measurement of revenue and when it should be recognized. The standard will become effective as of January 1, 2018 and supersedes IAS 11 - "Construction Contracts" and IAS 18 - "Income" and their related interpretations. Management is evaluating the full impact of its adoption.

IFRS 16 - Leases. IFRS 16 requires that an entity should recognize that any leasing in which the Group is a lessee should be stated in the balance sheet. The new standard is applicable beginning on or after January 1, 2019 and replaces the IAS 17 - Leases. Management is evaluating the full impact of its adoption.

Besides the aforementioned standards, there are no other IFRS or IFRIC interpretations that are not yet effective and as Management's current understanding, may result in relevant impacts to the Group.

## RAÍZEN Group

Notes to the combined consolidated and condensed interim financial information as of September 30, 2016  
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### 3. Cash and cash equivalents

	<u>09/30/2016</u>	<u>03/31/2016</u>
Funds in banks and in cash	946,821	777,931
Values awaiting foreign exchange closure	148,767	84,599
Financial investments:		
Investment in Funds (1)	909,037	1,714,891
Bank deposit certificate (CDB) and commitments (2)	2,225,714	1,615,069
Time deposit (3)	97,401	177,951
Other investments	563	2,190
	<u>3,232,715</u>	<u>3,510,101</u>
	<u>4,328,303</u>	<u>4,372,631</u>
Domestic (domestic currency)	4,061,458	3,527,520
Abroad (foreign currency) (Note 23.d)	<u>266,845</u>	<u>845,111</u>
	<u>4,328,303</u>	<u>4,372,631</u>

- (1) As of September 30, 2016, the average yield on investment funds was 99.5% of the interbank deposit certificate (CDI) (99.6% as of March 31, 2016).
- (2) As of September 30, 2016, average yield on certificates of bank deposit was equivalent to 101.2% of the CDI (101.3% as of March 31, 2016).
- (3) As of September 30, 2016, the average yield on time deposit investments was 0.50%, fixed fee of US\$ (0.43% at March 31, 2016).

### 4. Restricted cash

	<u>09/30/2016</u>	<u>03/31/2016</u>
Financial investments linked to financing (1)	60,209	62,302
Short-term investments related to derivative transactions (2) (Note 23.g)	135,943	136,116
Margin on financial derivative operations (Note 23.g)	<u>666,904</u>	<u>676,187</u>
	<u>863,056</u>	<u>874,605</u>
Domestic (domestic currency)	78,414	203,391
Abroad (foreign currency) (Note 23.d)	<u>784,642</u>	<u>671,214</u>
	<u>863,056</u>	<u>874,605</u>

- (1) As of September 30, 2016, the average yield on financial investments linked to financing was 101.1% of the interbank deposit certificate (CDI) (100.1% as of March 31, 2016).
- (2) As of September 30, 2016, the average yield on short-term investments related to derivative transactions, which corresponds to certificates of bank deposit and to foreign public securities, were 101.0% of the interbank deposit certificate (CDI) and 0.21% respectively.

The modalities of restricted cash are the same as those disclosed in the annual financial statements of March 31, 2016 (Notes 2.3 and 4), no change has occurred in the recognition procedures, measurement and accounting records, as well as significant changes in credit risk of counterparties involved in these balances.

## RAÍZEN Group

Notes to the combined consolidated and condensed interim financial information as of September 30, 2016  
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### 5. Trade accounts receivable

	<u>09/30/2016</u>	<u>03/31/2016</u>
Domestic	2,163,383	1,724,696
Abroad	194,237	119,822
Financing to clients (i)	427,573	420,434
Allowance for doubtful debts	<u>(201,726)</u>	<u>(200,585)</u>
	2,583,467	2,064,367
Current	<u>(2,299,883)</u>	<u>(1,758,781)</u>
Non-current	<u>283,584</u>	<u>305,586</u>

- (i) Financing to clients consists of the payment in installments of outstanding debts and sales of properties, as well as financing agreements backed by security interest, pledges and endorsements whose main purpose is the setup or modernization of gas stations. Finance charges and repayment deadlines are agreed by contract and set according to a business assessment of each negotiation.

The Group did not pledge any trade accounts receivable to secure financial transactions.

The maximum exposure to credit risk on the balance sheet date is the book value of each of the types of accounts receivable mentioned above.

The aging schedule of trade and other receivables and financing to clients is as follows:

	<u>09/30/2016</u>	<u>03/31/2016</u>
Falling due	2,207,860	1,828,791
Overdue - in days		
Up to 30 days	213,022	53,217
From 31-90 days	27,145	70,851
From 91-180 days	24,630	69,136
Above 180 days	<u>312,536</u>	<u>242,957</u>
	<u>2,785,193</u>	<u>2,264,952</u>

The Group has security interests such as mortgages and letters of credit, for payment of long overdue trade and other receivables which have no provision constituted.

The allowance for doubtful accounts was estimated based on credit risk analysis, which contemplates loss history, individual situation of clients, situation of the corporate group to which they belong, real guarantees for debts and the assessment of the legal advisors, and is considered sufficient to cover possible losses on amounts receivable.

Changes in the allowance for doubtful accounts are as follows:

## RAÍZEN Group

### Notes to the combined consolidated and condensed interim financial information as of September 30, 2016 In thousands of Reals - R\$, unless otherwise indicated

March 31, 2016	<u>(200,585)</u>
Provision	(9,426)
Reversal	7,976
Foreign exchange variation	<u>309</u>
September 30, 2016	<u><u>(201,726)</u></u>

As at September 30, 2016, the Group had the amount of R\$ 577,041 (R\$ 105,912 as at March 31, 2016) recorded in current liabilities, in the line item Advances from customers, which substantially refer to the receipts from foreign customers for acquisition of sugar.

#### 6. Inventories

	<u>09/30/2016</u>	<u>03/31/2016</u>
Finished goods:		
Ethanol	1,288,448	387,591
Sugar	1,187,499	40,460
Diesel	659,615	436,649
Gasoline	655,435	500,198
Jet fuel (Jet A-1)	67,317	62,469
Other fuels	9,501	9,597
Storeroom and others	254,919	258,501
Estimated loss for net realizable value and obsolescence	<u>(19,225)</u>	<u>(18,134)</u>
	<u><u>4,103,509</u></u>	<u><u>1,677,331</u></u>

The increase in inventories of finished goods as of September 30, 2016, compared to March 31, 2016, reflects the increase in volume due to progress of sugarcane crop. See further details of RESA operations in Note 1.

The changes in the estimated loss for net realizable value and obsolescence is as follows and was recorded in the statement of income in the line Cost of products sold and services rendered:

March 31, 2016	<u>(18,134)</u>
Provision	(5,859)
Reversal	<u>4,768</u>
September 30, 2016	<u><u>(19,225)</u></u>

## RAÍZEN Group

Notes to the combined consolidated and condensed interim financial information as of September 30, 2016  
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### 7. Biological assets

Changes in biological assets (sugar cane) are detailed below:

March 31, 2016 (restated)	973,373
Additions on cultural tract cane ratoon (1)	314,726
Absorption of harvested sugar-cane costs	(396,748)
Change in fair value	129,063
Realization of fair value	(241,348)
September 30, 2016	779,066

- (1) Those expenses include the amounts of R\$ 8,296 (R\$ 10,493 in the six-month period ended September 30, 2015), arising from the depreciation of agricultural assets which make up the cost of biological assets.

#### Sugar cane stubble

Planted areas refer only to sugarcane plantations, and do not consider planted land. The fair value of biological assets is classified as level 3 and the following main assumptions were used to determine the fair value using the discounted cash flow approach:

	<u>09/30/2016</u>	<u>03/31/2016</u>
Estimated harvest area (hectares)	426,794	427,768
Productivity expected (tons of sugar-cane per hectare)	80.18	80.04
Amount of ATR (kg)	130.20	130.12
Average ATR price per Kg projected (R\$/Kg)	0.63	0.63

As of September 30, and March 31, 2016, the discount rate used in the calculation of fair value of biological assets is 7.48% per annum.

The Company's sugarcane planting operations are exposed to variations from climate changes, pests and diseases, forest fires and other forces of nature. Weather conditions may historically cause fluctuations in the ethanol and sugar industries and therefore in Group's operating results because they affect crops by means of increasing or reducing harvests.

## RAÍZEN Group

Notes to the combined consolidated and condensed interim financial information as of September 30, 2016  
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### 8. Other financial assets

	<u>09/30/2016</u>	<u>03/31/2016</u>
Credits from indemnity suits (1)	816,591	828,250
National Treasury Certificates (CTN) (2)	686,519	627,219
Other	<u>1</u>	<u>1</u>
	1,503,111	1,455,470
Current	<u>(10,587)</u>	<u>(10,028)</u>
Non-current	<u>1,492,524</u>	<u>1,445,442</u>

- (1) Receivables from legal disputes on which a final judgment favorable to RESA was passed in February 2007, December 2013 and 2015, which are not part of the net assets contributed by Cosan to set up the Group. Therefore, RESA recognized a liability in the same amount, classified as current and non-current in the related parties account, given that RESA has the obligation to reimburse those receivables to Cosan when they are actually collected. These credits yield IPCA-E (Special Amplified Consumer Price Index) and Selic rate variation plus annual interest of 6%. This transaction did not and will not have any impact on RESA's results.
- (2) Brazilian Treasury Certificates are government bonds issued by the Brazilian Treasury within the Special Agriculture Industry Securitization Program - PESA, with a 20-year original maturity (falling due between 2018 and 2025) and which pledged to secure its related financing transaction called PESA. These bonds bear annual compound interest of 12%, plus the IGP-M (General Market Price Index). Their value on maturity date will match the principal of the debt due under PESA and may be used for settlement.

## RAÍZEN Group

Notes to the combined consolidated and condensed interim financial information as of September 30, 2016  
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### 9. Related parties

#### (a) Summary of related party balances

	<u>09/30/2016</u>	<u>03/31/2016</u>
<b>Assets</b>		
<b>Framework agreement (1)</b>		
Shell Brazil Holding B.V.	726,456	508,345
Cosan S.A. Indústria e Comércio	341,978	324,718
Shell Brasil Petróleo Ltda.	43,379	39,984
Other	6,845	9,083
	<u>1,118,658</u>	<u>882,130</u>
<b>Commercial operations (2)</b>		
Grupo Rumo / ALL	106,920	114,559
Nova América Agrícola Caarapó Ltda.	79,642	75,334
Shell Aviation Limited (Note 23.d)	72,603	66,576
Philipinas Shell Petroleum Corp. (Note 23.d)	7,756	5,958
Cosan S.A. Indústria e Comércio	4,757	7,542
Shell Trading US Company (Note 23.d)	998	-
Agroterenas S.A.	35,076	27,662
Other	25,093	20,232
	<u>332,845</u>	<u>317,863</u>
<b>Paid-up capital</b>		
Sapore S.A.	4,647	5,000
Logum Logística S/A	1,714	-
	<u>6,361</u>	<u>5,000</u>
	<u>1,457,864</u>	<u>1,204,993</u>
Current assets	<u>(504,846)</u>	<u>(491,358)</u>
Non-current assets	<u>953,018</u>	<u>713,635</u>

## RAÍZEN Group

Notes to the combined consolidated and condensed interim financial information as of September 30, 2016  
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	<u>09/30/2016</u>	<u>03/31/2016</u>
<b>Liabilities</b>		
<b>Framework agreement (1)</b>		
Cosan S.A. Indústria e Comércio	1,062,007	1,059,048
Shell Brasil Petróleo Ltda.	71,991	71,749
Shell Brazil Holding B.V.	55,311	48,357
Other	432	233
	<u>1,189,741</u>	<u>1,179,387</u>
<b>Financial operations</b>		
Cosan S.A. Indústria e Comércio	9,672	9,672
Sapore S.A.	6	22
	<u>9,678</u>	<u>9,694</u>
<b>Commercial operations (2)</b>		
Shell Trading US Company (Note 23.d)	755,953	179,987
Nova América Agrícola Caarapó Ltda.	52,653	17,963
Nova América Agrícola Ltda.	52,433	26,077
Grupo Rumo / ALL	31,656	20,407
Agroterenas S.A.	82,732	42,923
Shell Aviation Limited (Note 23.d)	1,912	1,341
Shell International Petroleum Company (Note 23.d)	41	-
Shell Downstream Service Internacional B.V. (Note 23.d)	835	-
Shell Finance (Netherlands) B.V. (Note 23.d)	2,094	1,938
Other	20,385	36,867
	<u>1,000,694</u>	<u>327,503</u>
<b>Preferred shares (3)</b>		
Shell Brazil Holding B.V.	394,245	494,430
Cosan S.A. Indústria e Comércio (Note 18.a.1)	88,430	89,762
	<u>482,675</u>	<u>584,192</u>
<b>Corporate restructuring (4)</b>		
Logum logística S.A.	64,286	-
Uniduto Logística S.A.	14,938	-
CTC - Centro de Tecnologia Canavieira	-	609
	<u>79,224</u>	<u>609</u>
	<u>2,762,012</u>	<u>2,101,385</u>
Current liabilities	<u>(1,450,236)</u>	<u>(860,980)</u>
Non-current Liabilities	<u>1,311,776</u>	<u>1,240,405</u>

## **RAÍZEN Group**

**Notes to the consolidated combined and condensed interim financial information as of September 30, 2016**  
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### **(1) Framework agreement**

As of September 30 and March 31, 2016, the sums stated in assets and liabilities refer to refundable values chargeable to shareholders, existing prior to the creation of Raízen, when actually realized or settled.

During the quarter ended September 30, 2016, RCSA recorded the recoverable balance of Shell Brazil Holding B.V., in the amount of R\$ 211,320, related to the ICMS claims, the liability for which rests with such shareholder. (Note 16.a)

### **(2) Commercial operations**

As of September 30, 2016, the sum stated in assets of R\$ 332,845 (R\$ 317,863 as of March 31, 2016) refers to transactions for the sale of goods, such as gasoline, diesel, jet fuel, sugar and ethanol.

As at September 30, 2016, the amount recorded in liabilities of R\$ 1,000,694 (R\$ 327,503 as at March 31, 2016), substantially refers to the business operations of purchase of imported products (anhydrous ethanol, gasoline, and diesel) and provision of services (freights and warehousing).

### **(3) Preferred shares**

Mostly tax benefits to reimburse Shell and Cosan, when effectively utilized by the Group, determined based on NOLs and tax benefits on goodwill amortization ("GW"). Reimbursement shall occur through distribution of disproportionate dividends and/or capital decrease to holders of C and E class preferred shares (liability financial instrument).

### **(4) Corporate restructuring**

As at September 30, 2016, the amount recorded in liabilities refers to the pay-in of capital that RESA has to pay to its associated companies Uniduto Logística S.A. and Logum Logística S.A., in the amounts of R\$ 64,286 and R\$ 14,938, respectively. The period for paying-in the capital is March 24, 2017 and December 31, 2017, in the amount of R\$ 25,352 and R\$ 53,872, respectively. See further details in Note 10.b.i.

## RAÍZEN Group

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### (b) Summary of related-party transactions (f)

	Jul-Sep/2016	Apr-Sep/2016	Jul Sep/2015	Apr-Sep/ 2015
Sale of products				
Grupo Rumo / ALL	235,842	461,797	203,113	204,656
Shell Aviation Limited	220,961	420,778	278,721	531,141
Grupo Agricopel	102,153	208,273	99,920	194,084
Shell Trading US Company	17,145	139,439	3,459	3,459
Philipinas Shell Petroleum Corp.	24,538	47,150	26,884	49,244
Shell Trading Rotterdam	-	-	34,216	34,216
Shell Western Supply and Trading	-	-	-	10,300
Other	42,249	75,720	39,433	72,329
	<u>642,888</u>	<u>1,353,157</u>	<u>685,746</u>	<u>1,099,429</u>
Purchase of goods and services				
Shell Trading US Company	(869,287)	(1,141,865)	-	-
Grupo Rumo / ALL	(140,558)	(263,749)	(159,320)	(224,739)
Agroterenas S.A.	(94,665)	(159,291)	(73,638)	(116,816)
Nova América Agrícola Ltda.	(54,820)	(104,391)	(45,474)	(92,242)
Nova América Agrícola Caarapó Ltda.	(63,651)	(90,008)	(32,582)	(53,701)
Other	(65,453)	(112,199)	(21,130)	(40,034)
	<u>(1,288,434)</u>	<u>(1,871,503)</u>	<u>(332,144)</u>	<u>(527,532)</u>
Renewed collection of shared expenses (a)				
Companhia de Gás de São Paulo	8,417	16,376	6,280	13,076
Grupo Rumo / ALL	6,927	13,840	2,313	3,463
Cosan Lubrificantes e Especialidades S.A.	1,517	3,342	1,591	2,817
Other	1,645	3,689	1,452	2,954
	<u>18,506</u>	<u>37,247</u>	<u>11,636</u>	<u>22,310</u>
Land leases (b)				
Radar Group	(19,179)	(36,585)	(14,352)	(29,129)
Grupo Aguassanta	(7,414)	(14,591)	(6,630)	(13,538)
Grupo Tellus	(5,965)	(11,652)	(4,289)	(6,455)
Janus Brasil Participação S.A.	(2,646)	(5,170)	(1,835)	(3,602)
	<u>(35,204)</u>	<u>(67,998)</u>	<u>(27,106)</u>	<u>(52,724)</u>
Financial income (expense) (c)				
Shell Trading US Company	3,963	26,466	-	-
Nova América Agrícola Caarapó Ltda.	2,515	4,961	2,463	4,474
Agroterenas S.A.	855	1,717	896	1,670
Shell Aviation Limited	3,592	(4,352)	-	-
Shell Finance B.V.	(1,375)	(3,043)	(1,587)	(2,568)
Other	2,247	2,526	(680)	(1,103)
	<u>11,797</u>	<u>28,275</u>	<u>1,092</u>	<u>2,473</u>
Service income (d)				
Shell Brasil Petróleo Ltda.	4,470	15,189	16,416	17,120
Other	654	1,280	234	269
	<u>5,124</u>	<u>16,469</u>	<u>16,650</u>	<u>17,389</u>
Service expenses (e)				
Shell Brasil Petróleo Ltda.	(6,410)	(12,260)	-	(945)
Shell Brazil Holding B.V.	(2,526)	(2,526)	-	-
Shell International Petroleum	-	(954)	(823)	(3,180)
Shell Downstream Services International BV	(835)	(835)	-	-
Other	(1,318)	(1,455)	(137)	(1,491)
	<u>(11,089)</u>	<u>(18,030)</u>	<u>(960)</u>	<u>(5,616)</u>

- (a) Reimbursement of shared expenses consists of expenses incurred by shared corporate, managerial and operating costs reimbursed from related parties.
- (b) Leased land consists of expenses incurred with land leased from related parties.
- (c) Finance expenses basically consist of expenses incurred with commissions on available credit facilities and inflation adjustment of the balances of advances granted to finance sugar cane crops as well as the foreign exchange rate of commercial activities from imports and sales of fuel.
- (d) Service revenues consist of commissions on the sales of lubricants to Shell.
- (e) Service expenses consist of expenses incurred with technical support, billing and collection, commissions on the sale of jet fuel and secondees from Shell.
- (f) Transactions with related parties are entered into under reasonable and cumulative conditions, in line with those prevailing in the market or that the Group would contract with third parties.

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
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(c) **Directors and members of the Board of Directors**

Fixed and variable compensation pay to key management personnel, including statutory officers and members of the Board of Directors that is recognized in the statement of profit or loss for the period is as follows:

	<u>Apr- Sep/ 2016</u>	<u>Apr- Sep/ 2015</u>
Regular remuneration	(22,870)	(19,801)
Bonuses and other variable compensation	<u>(14,185)</u>	<u>(21,669)</u>
Total compensation	<u>(37,055)</u>	<u>(41,470)</u>

(d) **Other significant information involving related parties**

***Committed Back-up Credit Facility Agreement***

The Group is a beneficiary of a US\$ 500,000,000 Revolving Committed Back-up Credit Facility Agreement granted by Shell Finance (Netherlands) B.V. and Cosan S.A. Indústria e Comércio. Until the end of the six-month period ended September 30, 2016 the mentioned credit facility had not been used.

## RAÍZEN Group

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### 10. Investments

	Country	Business	Percentage of Interest	Investments (1)		Equity pick-up on subsidiaries	
				09/30/2016	03/31/2016	09/30/2016	09/30/2015
<u>Book value</u>							
Centro de Tecnologia Canavieiras S.A.	Brazil	P&D	20.50%	90,041	88,483	1,551	703
Logum Logística S.A.	Brazil	Logistics	21.40%	194,182	53,687	(19,791)	(26,889)
Uniduto Logística S.A. (4)	Brazil	Holding	46.48%	46,326	12,740	(4,557)	(38)
Serviços e Tecnologia de Pagamentos S.A. (3)	Brazil	-	-	-	-	(2,919)	8,675
Other	-	-	-	-	-	89	-
				<u>330,549</u>	<u>154,910</u>	<u>(25,627)</u>	<u>(17,549)</u>
<u>Appreciation of assets, net</u>							
Serviços e Tecnologia de Pagamentos S.A. (3)				-	-	-	(2,106)
Subtotal				-	-	-	(2,106)
<u>Investment goodwill (2)</u>							
Uniduto Logística S.A.				5,676	5,676	-	-
Centro de Tecnologia Canavieira S.A.				49,839	49,839	-	-
Subtotal				<u>55,515</u>	<u>55,515</u>	-	-
Total investments				<u>386,064</u>	<u>210,425</u>	<u>(25,627)</u>	<u>(19,655)</u>

(1) Investments accounted for under the equity method.

(2) Goodwill on acquisition and transfer of shares.

(3) Sale completed on August 31, 2016. See details in Note 10.b.ii.

(4) On September 30, 2016, the investment include equity loss in associates companies in the amount of R\$ 30,403 (R\$ 25,375 as of March 31, 2016), originated by the loss of the period generated by this associate, principally, because this investment previously were not recorded by the equity pick-up method and also by the capital increase paid by RESA in the amount of R\$ 32,623.

The changes in the investments in associated companies, is as follows:

March 31, 2016	<u>210,425</u>
Equity in net income (loss) of subsidiaries	(25,627)
Additions to the investments (Note 10.b)	197,536
Other	<u>3,730</u>
September 30, 2016	<u><u>386,064</u></u>

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
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### (a) Summary financial information on investments

#### (i) The main associated companies' accounts, are as follows:

- September 30, 2016

	<b>Logum Logística S.A. (1)/(2)</b>	<b>Uniduto Logística Ltda. (1)/(2)</b>	<b>Centro de Tecnologia Canavieira S.A. (2) / (4)</b>	<b>Iogen Energy Corp. (3)</b>	<b>Serviços e Tecnologia de Pagamentos (5)</b>
Assets	2,571,358	131,875	689,653	31,243	-
Liabilities	(1,663,989)	(37,748)	(250,434)	(260,785)	-
Equity	<u>907,369</u>	<u>94,127</u>	<u>439,219</u>	<u>(229,542)</u>	<u>-</u>

Six-month period ended September 30, 2016:

Net operating revenue	72,033	-	43,229	-	-
Net income (loss)	(91,066)	(81)	7,587	(1,232)	29,180

Six-month period ended September 30, 2015:

Net operating revenue	54,834	-	32,308	-	370,157
Net income (loss)	(134,442)	(82)	(1,425)	(2,683)	86,755

- The fiscal year of these investees ends on December 31.
- Significant influence over these companies has been defined, mainly, based on the Group's right to elect key management personnel and to decide on their significant operational and some strategic issues.
- Jointly controlled entity in which the Group participation is 50% in common shares, whose fiscal year ends on August 31. RESA did not recognize a provision for shareholders' deficit or share of loss of equity-accounted investees, given that it has no legal or constructive obligations to make payments on account of that company.
- The fiscal year of these investees ends on March 31.
- Sale completed on August 31, 2016. See details in Note 10.b.ii.

- March 31, 2016

	<b>Logum Logística S.A. (1)/(2)</b>	<b>Uniduto Logística Ltda. (1)/(2)</b>	<b>Centro de Tecnologia Canavieira S.A. (2) / (4)</b>	<b>Iogen Energy Corp. (3)</b>
Assets	2,505,051	85,080	695,961	39,950
Liabilities	(2,236,615)	(3,068)	(265,120)	(293,184)
Equity	<u>268,436</u>	<u>82,012</u>	<u>430,841</u>	<u>(253,234)</u>

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
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### **(b) Investment transactions with associated companies in the six-month period ended September 30, 2016**

#### **(i) Additions to the investment**

##### Capital increase in Logum Logística S.A. (“Logum”)

During the six-month period ended September 30, 2016 capital increases by the Company were resolved and approved totaling R\$ 730,000 by means of cash contributions. The amount subscribed and paid-in by RESA in these operations totals R\$ 160,286, of which R\$ 96,000 paid-in in cash, and R\$ 64,286 recorded as capital to be paid-in recognized in Related Parties, in liabilities, which shall be paid-in until December 31, 2017.

At the end of this operation, RESA started to hold direct and indirect ownership interests of 21.40% and 26.37%, respectively, in Logum (20% and 24.65% as at March 31, 2016).

##### Capital increase in Uniduto Logística S.A. (“Uniduto”)

The Uniduto is a shareholder of Logum and assumed obligations through commitments predicted on the Shareholders Agreements and in the subscription bulletins of capital increase of Logum, to be paid in the amount of R\$ 80,143, made in the six-month period ended September 30, 2016.

The RESA recorded these operations, accordingly with its shareholders interest, by the amount of R\$ 37,250, from R\$ 22,312 were paid up in cash and the remaining amount of R\$ 14,938 were recorded as capital to be paid, in the liabilities related parties account, and shall be paid until December 31, 2017.

In these operations, there were no variations in the percentage of participation in the share capital of the investee, since all shareholders effected capital contributions in proportion to their existing holding.

##### Capital increase in Centro de Tecnologia Canavieira (“CTC”)

On April 1, 2016 it was paid-in the amount of R\$ 593, according to the Special Shareholders’ Meeting (AGE), resolved and approved on February 24, 2016.

#### **(ii) Disposal of ownership interest**

##### Disposal of ownership interest in Serviços e Tecnologia de Pagamentos S.A (“STP”)

On March 14, 2016, by means of the share purchase and sale contract, the shareholders of STP announced the disposal of 100% of the shares representing the capital of STP to DBTRANS Administração de Meios de Pagamentos Ltda. (“DBTRANS”), which ownership interest held by RCSA corresponded to 10%.

## RAÍZEN Group

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During the quarter ended September 30, 2016, from the approval of the Administrative Council for Economic Defense (“CADE”), and later on by the transfer of shares of DBTRANS, the Company wrote-off the investment cost recorded in the line item Assets held for sale, and recognized the gain on the disposal of the STP shares, in the amount of R\$ 166,132, recorded in profit or loss for the period in the line item Other operating revenue, net, detailed below:

Proceeds from the sale of 10% interest held by RCSA in STP	413,556
Investment cost classified as assets held for sale	(243,086)
Complement to investment cost	2,919
Expenditure on business intermediation	<u>(7,257)</u>
Gain in the disposal of shares of STP (Note 21)	<u>166,132</u>

## RAÍZEN Group

Notes to combined consolidated and condensed interim financial information as of September 30, 2016  
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### 11. Property, plant and equipment

	Lands and rural properties	Buildings and improvements	Machinery, equipment and facilities	Aircrafts and vehicles	Furniture, fixtures and IT equipment	Works in progress	re
Cost:							
March 31, 2016 (Restated)	653,278	1,481,329	9,184,174	668,567	212,816	861,219	
Additions (3)	-	-	12,813	641	11	185,043	
Write-offs	(17,150)	(12,723)	(45,066)	(10,950)	(3,314)	(1,875)	
Transfers (1)	700	61,677	380,905	27,033	24,385	(493,392)	
Provision for income sharing and others (2)	-	-	(8,283)	-	(529)	(2,166)	
September 30, 2016	636,828	1,530,283	9,524,543	685,291	233,369	548,829	
Accumulated depreciation:							
March 31, 2016 (Restated)	-	(424,314)	(3,240,049)	(305,481)	(138,060)	-	
Depreciation in the period	-	(24,507)	(299,301)	(25,158)	(12,623)	-	
Write-offs	-	8,214	34,584	9,802	2,389	-	
Transfers (1)	-	(342)	2,162	(2,029)	235	-	
Provision for income sharing and others (2)	-	-	4,536	-	375	-	
September 30, 2016	-	(440,949)	(3,498,068)	(322,866)	(147,684)	-	
Net residual value:							
September 30, 2016	636,828	1,089,334	6,026,475	362,425	85,685	548,829	
March 31, 2016 (Restated)	653,278	1,057,015	5,944,125	363,086	74,756	861,219	

(1) Includes transfers to intangible assets (software), in the amount of R\$ 3,953;

(2) Substantially refers to the net reversal of the estimated loss for property, plant and equipment, recognized in profit or loss in the line item (Note 21) in the amount of R\$ 5,985; and,

(3) Such additions include the amount of R\$ 23,152, arising from depreciation and amortization of the assets of the agricultural area, which a

## **RAÍZEN Group**

**Notes to combined consolidated and condensed interim financial information as of September 30, 2016**  
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### **Works in progress**

The balances of construction in progress consist basically of: (i) stillage concentration project; (ii) investments in expanding sugar-cane crushing; (iii) project for receiving the chopped sugar cane and separate the straw for the co-generation of energy; (iv) installation of tanks to increase ethanol storage capacity; (v) investments for industrial maintenance and improvement, agricultural automation, in addition to safety, health and environment and administrative investments; (vi) construction projects for new fuel distribution terminals and the expansion, modernization and improvement of existing terminals; (vii) investments in Shell gas stations to replace fuel pumps, make environmental adaptations, polish the image, renovate and refurbish gas station convenience stores, purchase and install furniture and equipment for the gas station convenience stores; (viii) investments in large consumer clients; (ix) investments in airports where RCSA distributes fuels, such as the acquisition of supply vehicles, expansion of the network of hydrants and points of supply, installation of the whole infrastructure of new airports and modernization and improvement of existing airports.

During the six-month period ended September 30, 2016, many projects were completed, the main ones comprising investment in industrial maintenance and improvement and agricultural automation, the improvement on project of E2G, the expansion of the Raízen Paraguaçu and Raízen Caarapó mills, improvement and expansion of the terminals in Paulínia, Campos Elíseos, Caxias, Esteio and São Paulo, and the construction of the steam recovery unit, totaling approximately R\$ 330 million.

### **Borrowing cost capitalization**

In the six-month period ended September 30, 2016, borrowing costs capitalized by the Group reached R\$ 17,678 (R\$ 15,583 in the six-month period ended September 30, 2015). The annual weighted average rate of debt charges was 6.63% as of September 30, 2016 (3.10% as of September 30, 2015).

### **Financial lease**

As of September 30, 2016, the aircraft class includes net residual values of R\$ 4,678 (R\$ 5,162 as of March 31, 2016), in which RESA is the lessee under a finance lease, guaranteed by promissory note, in the original amount of R\$ 13,076.

### **Property, plant and equipment pledged**

As of September 30, 2016, loans and financing are secured by land, building and machinery in the total amount of R\$ 1,374,634 (R\$ 1,581,647 as of March 31, 2016).

## RAÍZEN Group

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### 12. Intangible assets

	Software license	Goodwill	Brands	Agricultural Partnership Agreements	Sugarcane supply agreements	Contractual relationships with clients	Exclusive supply rights
Cost or evaluation:							
March 31, 2016	374,684	1,978,031	532,348	18,411	181,516	362,834	2,649,291
Additions	9,971	-	-	-	-	-	341,759
Write-offs	-	-	-	-	-	-	(60,487)
Transfers (1)	3,945	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
September 30, 2016	<u>388,600</u>	<u>1,978,031</u>	<u>532,348</u>	<u>18,411</u>	<u>181,516</u>	<u>362,834</u>	<u>2,930,563</u>
Amortization:							
March 31, 2016	(253,237)	(431,380)	(265,443)	(9,027)	(67,462)	(76,138)	(1,177,459)
Amortization in the period	(17,873)	-	(26,252)	(2,763)	(9,864)	(9,374)	(161,604)
Write-offs	-	-	-	-	-	-	60,487
Transfers (1)	695	-	-	-	(720)	-	23
September 30, 2016	<u>(270,415)</u>	<u>(431,380)</u>	<u>(291,695)</u>	<u>(11,790)</u>	<u>(78,046)</u>	<u>(85,512)</u>	<u>(1,278,553)</u>
Net residual value:							
September 30, 2016	118,185	1,546,651	240,653	6,621	103,470	277,322	1,652,010
March 31, 2016	121,447	1,546,651	266,905	9,384	114,054	286,696	1,471,832

(1) Includes transfers from property, plant and equipment, in the amount of R\$ 3,953, and others, in the amount of R\$ 20.

## RAÍZEN Group

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### 13. Trade payables

	<u>09/30/2016</u>	<u>03/31/2016</u>
Suppliers of materials and services (i)	591,122	681,745
Suppliers of ethanol (ii)	250,176	251,848
Oil suppliers (ii)	200,008	139,689
Sugarcane suppliers (iii)	805,816	233,346
Suppliers - Agreement (iv)	234,594	359,343
	<u>2,081,716</u>	<u>1,665,971</u>
Domestic (local currency)	1,915,427	1,559,670
Abroad (foreign currency) (Note 23.d)	<u>166,289</u>	<u>106,301</u>
	<u>2,081,716</u>	<u>1,665,971</u>

- (i) The balance payable to suppliers of materials and services mostly consists of acquisitions of machinery and equipment for the ethanol, sugar and bioenergy production facilities for resale.
- (ii) The balances payable to suppliers of oil and ethanol consist of purchases made by RCSA.
- (iii) Sugar cane harvesting, which usually takes place between April and December every year, has a direct impact on the balance of trade accounts payable to sugar cane suppliers and for cutting, loading and transportation services.
- (iv) The Group has Agreements Related to Payments and Other Covenants (“Agreement”) that permit certain suppliers to advance their receivables referring to products and services provided to the Group, directly with financial institution. In said Agreement, supplier may choose to grant or not and the financial institution decides whether to acquire or not said credit, without interference from the Group. Using the Agreement does not imply any change in notes issued by the supplier, and the same original value and average payment term conditions are maintained, which, as average, is around 60 to 90 days, period that is consistent with the Group’s recurring operating cycle.

# RAÍZEN Group

## Notes to the consolidated combined and condensed interim financial information as of September 30, 2016 In thousands of Reals - R\$, unless otherwise indicated

### 14. Loans and financing

Purpose	Final maturity	Index	Annual effective average interest rate (1)		Total	
			09/30/2016	03/31/2016	09/30/2016	03/31/2016
Classification of debts per currency:						
Denominated in reais					6,624,774	6,058,158
Denominated in North-American Dollars (US\$) and Euro (€) (note 23.d)					6,211,891	6,873,488
					<u>12,836,665</u>	<u>12,931,646</u>
Type of debts (2):						
National Bank for Social and Economic Development - BNDES	Oct 25	URTJLP	10.00%	10.00%	1,088,036	1,179,337
National Bank for Social and Economic Development - BNDES	Jul 24	Pre-fixed	4.50%	4.08%	1,070,851	1,173,004
National Bank for Social and Economic Development - BNDES	Apr 24	UMBND	6.55%	6.50%	68,722	80,734
Prepayments ("PPEs")	Dec 21	Dollar (US\$) + Libor	3.02%	2.80%	1,493,524	1,693,796
Term Loan Agreement	Apr 20	Dollar (US\$) + Libor	2.06%	1.90%	3,435,481	3,728,122
Debentures	Oct 18	CDI	15.19%	15.20%	476,237	475,446
Debentures	Oct 20	IPCA + interest	14.08%	14.20%	409,151	384,812
Senior notes due 2017	Feb 17	Dollar (US\$)	7.00%	7.00%	670,009	734,550
Resolution 2471 (PESA)	Apr 23	IGP-M	12.25%	11.90%	968,708	928,344
Resolution 2471 (PESA)	Oct 25	Pre-fixed	3.00%	3.00%	76	76
Credit Notes	Oct 20	CDI	15.19%	15.20%	265,471	264,882
Finame/Leasing	Nov 2024	Pre-fixed	6.69%	5.20%	140,571	93,225
Finame/Leasing	Mar 21	URTJLP	10.84%	-	131	-
Rural credit	Jun 16	Pre-fixed	-	6.50%	-	62,726
Certificate of Agribusiness Receivables (CRA)	May 22	CDI	14.05%	14.10%	1,790,153	1,295,798
Certificate of Agribusiness Receivables (CRA)	May 23	IPCA + interest	13.66%	13.40%	346,668	119,776
Schuldschein	Oct 21	Pre-fixed - EUR	2.90%	2.90%	247,429	271,083
Schuldschein	Sep 22	Euribor	1.88%	2.00%	365,447	374,563
Other	Other	Dollar (US\$)	-	-	-	71,372
					<u>12,836,665</u>	<u>12,931,646</u>
Expenses incurred with the placement of the securities:						
Term Loan Agreement					(19,796)	(25,283)
CRA					(32,184)	(21,335)
Schuldschein					(13,482)	(16,308)
Prepayments					(5,533)	(6,121)
BNDES					(4,584)	(4,780)
Debentures					(2,909)	(3,455)
Senior notes due 2017					-	(1,563)
Rural credit					-	(75)
					<u>(78,488)</u>	<u>(78,920)</u>
					<u>12,758,177</u>	<u>12,852,726</u>
Current					<u>(1,718,682)</u>	<u>(1,639,509)</u>
Non-current					<u>11,039,495</u>	<u>11,213,217</u>

- (1) The annual effective interest rate is the contract rate plus, Libor, Euribor, URTJLP, IGP-M, UMBND, IPCA e CDI, where applicable.
- (2) Loans and financing are usually secured by Group's promissory notes. In some cases, they are endorsed by shareholders, and security interest is offered such as: (i) receivables from energy sale agreements (BNDES); (ii) CTN (Note 8) and mortgage of land (PESA); (iii) property, plant and equipment; and, (iv) conditional sale of assets purchased under a FINAME/PESA financing agreement.

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Installments falling due in the long term, less the amortizations of expenses incurred with the placement of securities, have the following schedule:

<u>Periods in months:</u>	<u>09/30/2016</u>
From 13 to 24 months	1,647,068
From 25 to 36 months	2,300,241
From 37 to 48 months	3,411,253
From 49 to 60 months	1,799,421
From 61 to 72 months	1,462,956
From 73 to 84 months	361,169
From 85 to 96	42,104
Over 97 months	15,283
	<u>11,039,495</u>

### Issue of Certificate of Agribusiness Receivables - CRA

In May 2016, Tatumã, a subsidiary of RESA, issued a CPR (Rural Product Note) related to Public Distribution of 3rd and 4th series of the 1st issuance of Agribusiness Receivable Certificates (CRAs) of RB Capital Companhia de Securitização in the amount of R\$ 675,000, of which R\$ 465,706 maturing in May 2022, restated at 98% of CDI, and R\$ 209,294 maturing in May 2023, restated by IPCA plus interest of 6.17% per annum.

### Covenants

The Group is not subject to comply with financial ratios, being subject only to certain covenants in loans and financing contracts, such as “cross-default” and “negative pledge”, which are being fully complied with by the Group.

### Fair value

As of September 30 and March 31, 2016, the fair value of the Senior Notes Due 2017 is based on the price quotations in the secondary market at the financial position date (Note 23.i), and the book value and fair value of such loan less the amortization of expenses incurred with the placement of securities are as follow:

	<u>Book value</u>		<u>Fair value</u>	
	<u>09/30/2016</u>	<u>03/31/2016</u>	<u>09/30/2016</u>	<u>03/31/2016</u>
Senior notes due 2017	670,009	732,987	680,481	758,641
Face value	100.00%	100.00%	101.56%	103.50%

Also, on September 30, 2016, debts Term Loan Agreement (partial) and Schuldschein are presented net of amounts R\$ 873, R\$ 16,397 and R\$ 14,170 (deducted of R\$ 18,832, R\$ 31,561 plus R\$ 837 as of March 31, 2016), respectively, deriving from evaluation at fair value. The amount of such debts valued at fair value totaled R\$ 3,445,316 (R\$ 3,694,212 on March 31, 2016) (Notes 22 and 23.i).

Other loans and financing do not have a value quoted and their fair value is close to the book value due to their exposure to variable interest rates and insignificant changes in the Group's credit risk, which is shown by comparison to the quoted instruments presented above (Note 23.i).

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### 15. Income and social contribution taxes

#### (a) Reconciliation of income and social contribution tax expenses:

	From July to September 2016	From April to September 2016	From July to September 2015 (restated)	From April to September 2015 (restated)
Income before income and social contribution taxes	1,236,470	1,953,143	40,209	287,363
Income and social contribution taxes at nominal rate (34%)	(420,400)	(664,070)	(13,671)	(97,702)
Adjustments for calculation of effective rate:				
Interest on own capital	16,660	31,960	25,636	25,636
Equity in net income of subsidiaries	(4,467)	(8,713)	(3,841)	(6,683)
Gifts, donations, class association	(1,160)	(3,124)	(1,257)	(2,924)
<i>Reintegra</i>	513	1,037	667	1,292
Investment subsidy - ICMS	1,009	1,844	4,462	5,757
Difference between deemed income and taxable income rates	25,130	51,732	24,447	48,508
Foreign exchange rate variation on investee abroad	302	(3,642)	10,793	9,609
Tax loss and negative basis not formed	(3,379)	19,402	8,010	2,332
Rate difference on income from foreign company	981	14,313	3,500	2,088
Other	3,506	4,824	33	(618)
Credit (expense) from income tax and social contribution	(381,305)	(554,437)	58,779	(12,705)
Effective rate	(30.8%)	(28.4%)	146.18%	(4.42%)

#### (b) Recoverable income and social contribution taxes

	<u>09/30/2016</u>	<u>03/31/2016</u>
Taxes on income ("IRPJ")	698,081	701,253
Social contribution ("CSLL")	222,781	237,882
	920,862	939,135
Current assets	(381,887)	(378,215)
Non-current assets	538,975	560,920

#### (c) Income and social contribution taxes payable

	<u>09/30/2016</u>	<u>03/31/2016</u>
IRPJ	16,251	71,212
CSLL	6,197	45,731
	22,448	116,943

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### (d) Deferred income and social contribution taxes in assets and liabilities:

Assets (liabilities)				09/30/2016	03/31/2016
	Base	IRPJ 25%	CSLL 9%	Total	(restated) Total
Income tax losses	1,406,712	351,678	-	351,678	413,402
Negative basis for social contribution tax	1,406,700	-	126,603	126,603	152,886
Temporary differences:					
Foreign exchange variation on the cash basis	115,871	28,968	10,428	39,396	383,857
Provision for right to exclusive supply	616,159	154,040	55,454	209,494	190,039
Unrealized gain (loss) with derivatives	544,547	136,137	49,009	185,146	-
Tax goodwill deriving from downstream merger	186,471	46,618	16,782	63,400	87,866
Provision for goodwill write-off	166,656	41,664	14,999	56,663	98,106
Remuneration and employee benefits	146,071	36,518	13,146	49,664	117,296
Provisions for legal disputes	449,585	112,396	40,463	152,859	140,462
Provisions and other temporary differences	752,159	188,042	68,717	256,759	212,415
Total deferred tax assets		1,096,061	395,601	1,491,662	1,796,329
Amortized tax goodwill	(1,675,203)	(418,801)	(150,768)	(569,569)	(601,306)
Fixed assets' useful life review	(1,263,182)	(315,796)	(113,686)	(429,482)	(368,079)
Unrealized gain (loss) with derivatives	-	-	-	-	(189,577)
Fair value of property, plant and equipment	(603,762)	(150,940)	(54,339)	(205,279)	(213,712)
Fair value of intangible assets	(277,324)	(69,331)	(24,959)	(94,290)	(97,477)
Cost of capitalized loans	(298,871)	(74,718)	(26,898)	(101,616)	(97,687)
Biological assets	(312,288)	(78,072)	(28,106)	(106,178)	(139,426)
Total deferred tax liabilities		(1,107,658)	(398,756)	(1,506,414)	(1,707,264)
Total deferred taxes		(11,597)	(3,155)	(14,752)	89,065
Deferred taxes - Assets, net				388,319	322,041
Deferred taxes - Liabilities, net				(403,071)	(232,976)
Total deferred taxes				(14,752)	89,065

### (e) Net changes in deferred taxes:

March 31, 2016 (restated)	89,065
Expenses in statement income (loss)	(238,108)
Deferred taxes on other comprehensive income (loss)	134,291
September 30, 2016	(14,752)

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
In thousands of Reais - R\$, unless otherwise indicated

### 16. Provision for legal disputes and judicial deposits

#### Breakdown of legal disputes considered as probable loss

When the Group was setup it was agreed that Cosan and Shell would reimburse the Group for legal disputes that were ongoing before its formation, as these disputes are actually settled. As of September 30 and March 31, 2016, balances of said claims to be reimbursed and claims that are not reimbursable are as follows:

	<u>09/30/2016</u>	<u>03/31/2016</u>
Tax (Note 16.a)	516,369	289,673
Civil	188,416	194,164
Labor	237,689	222,084
Environmental	58,673	55,695
	<u>1,001,147</u>	<u>761,616</u>
Non-reimbursable legal disputes	129,518	110,837
Reimbursable legal disputes (Note 16.a)	871,629	650,779
	<u>1,001,147</u>	<u>761,616</u>

The arrangements made for Raízen's setup also established that RESA and RCSA should refund the court deposits made before Raízen's setup to the shareholders Cosan and Shell, when these deposits are actually withdrawn. As of September 30 and March 31, 2016, balances of refundable deposits and deposits that are not refundable are as follows:

	<u>09/30/2016</u>	<u>03/31/2016</u>
Tax	222,865	204,039
Civil	36,022	40,664
Labor	55,703	48,762
	<u>314,590</u>	<u>293,465</u>
Own judicial deposits	92,475	74,684
Reimbursable judicial deposits	222,115	218,781
	<u>314,590</u>	<u>293,465</u>

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
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### (i) Non-reimbursable legal disputes

	Tax	Civil	Labor	Environmental	Total
March 31, 2016	20,424	7,915	78,947	3,551	110,837
Provisioned in the period (i)	20,014	2,639	31,503	32	54,188
Write-offs/reversals (i)	(49)	(2,371)	(20,861)	(10)	(23,291)
Payments	(135)	(720)	(158)	(298)	(1,311)
Offset	(25,588)	-	-	-	(25,588)
Price-level restatement (ii)	10,437	234	3,999	13	14,683
September 30, 2016	25,103	7,697	93,430	3,288	129,518

(i) Recorded in income (loss) for the six-month period ended September 30, 2016, under Other operating revenue, net (Note 21), except for: (a) by recording of a provision for INSS on billing at RESA, in the amount of R\$ 15,275 (R\$ 11,217 in the six-month period ended September 30, 2015), reclassified from caption Taxes payable in current liabilities, and by RCSA provisions accounted for in income for the year under captions Taxes, deductions and rebates on sales and General and administrative expenses, in the amount of R\$ 3,412 (R\$ 823 in the six-month period ended September 30, 2015).

(ii) Recognized in the statement of income for the period as finance results.

### (ii) Reimbursable legal disputes (1)

	Tax	Civil	Labor	Environmental	Total
March 31, 2016	269,249	186,249	143,137	52,144	650,779
Provisioned in the period	175,470	17,069	14,785	10,303	217,627
Write-offs/reversals	(8,690)	(9,085)	(15,481)	(2,923)	(36,179)
Payments	(1,403)	(18,494)	(1,420)	(3,778)	(25,095)
Offset against judicial deposits	(1,517)	-	-	-	(1,517)
Price-level restatement	58,157	4,980	3,238	(361)	66,014
September 30, 2016	491,266	180,719	144,259	55,385	871,629

(1) The change does not have and will never have effect on profit or loss, as there is an active/assets account related to the Group's right to reimbursement.

### (iii) Total legal disputes

	Tax	Civil	Labor	Environmental	Total
March 31, 2016	289,673	194,164	222,084	55,695	761,616
Provisioned in the period	195,484	19,708	46,288	10,335	271,815
Write-offs/reversals	(8,739)	(11,456)	(36,342)	(2,933)	(59,470)
Payments	(1,538)	(19,214)	(1,578)	(4,076)	(26,406)
Offset	(27,105)	-	-	-	(27,105)
Price-level restatement	68,594	5,214	7,237	(348)	80,697
September 30, 2016	516,369	188,416	237,689	58,673	1,001,147

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
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### (a) Tax

	<u>09/30/2016</u>	<u>03/31/2016</u>
Social security charges (“INSS”)	2,530	2,336
Value-added tax on sales and services (“ICMS”) (i)	248,831	35,150
Excise tax (“IPI”)	89,306	88,045
PIS and COFINS	37,435	35,318
Lawyers' fees	57,222	55,040
IRPJ and CSLL	72,303	69,002
Economic Domain Intervention Contribution (“CIDE”) and others	8,742	4,782
	<u>516,369</u>	<u>289,673</u>
Non-reimbursable legal disputes	25,103	20,424
Reimbursable legal disputes	491,266	269,249
	<u>516,369</u>	<u>289,673</u>

- (i) During the quarter ended September 30, 2016, as mentioned in Note 9.a.1, RCSA recorded legal disputes reimbursable by Shell that deals with the questioning of the breach of accessory obligation (CAT Ordinance) related to the methodology for calculating ICMS credits in the state of São Paulo, in the amount of R\$ 139,159, and the assessment arising from FOB fuel sales transactions by Shell to some customers (in SP) which were later on declared improper, in relation to which the ruling of the motion for clarification of judgment is currently being awaited, in the amount of R\$ 72,161.

### (b) Civil, labor and environmental

The Group is party to various civil actions consisting of (i) damages for material losses and pain and suffering; (ii) disputes on contracts; (iii) class action to stop the burning of sugar cane straw; (iv) enforcements of environmental decisions; (v) reparation of environmental damages causes by fuel leakages and, (vi) discussions about contracts, real estate and recovery of credits, and the last two topics include contract breaches, possession of the Group's properties and recovery of amount not paid by clients.

The Group is also party to several labor complaints filed by former employees and employees of service providers who demand, among other things, payment for overtime work, night shift premium and hazardous duty premium, readmission into the job, return of payroll discounts, such as trade union optional and mandatory contributions, among others.

The main environmental actions are related to environmental remediation to be carried out at gas stations, distribution hubs, airports and client distribution centers and they include the removal of contaminated material, treatment of the land, laboratory tests and post-remediation monitoring.

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
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**The following claims were considered as probable loss and, thus, no provision for legal disputes has been recognized in the financial statements**

**(a) Tax**

	<u>09/30/2016</u>	<u>03/31/2016</u>
ICMS (i)	3,703,968	3,538,878
INSS	477,781	461,618
IPI	491,808	482,576
IRPJ and CSSL	1,736,753	1,666,108
PIS and COFINS	1,888,741	1,754,305
Offsets with IPI credit - IN 67/98	127,250	124,737
Other	931,845	865,008
	<u>9,358,146</u>	<u>8,893,230</u>
Non-reimbursable legal disputes	1,772,465	1,051,244
Reimbursable legal disputes	7,585,681	7,841,986
	<u>9,358,146</u>	<u>8,893,230</u>

- (i) The increase of ICMS (VAT) possible legal disputes incurred during the six-month period ended September 30, 2016, refers substantially to: (a) Allegation of supposed differences existent in RESA' sugar and ethanol inventories. Proved fact of inexistent supposed differences, the defenses were presented accordingly with current legislation and RESA is waiting the judgment; and (b) ICMS (VAT) credit gloss - diesel, the defense were presented as being essential to RESA activities accordingly with the Federal Constitution article 155 §2º, I and Complementary Law 87/96.

In case a reimbursable provision for these claims has to be recognized in the future due to change in loss expectation, or to any other reason, the Group will immediately record amount receivable from shareholders at the same amount and, therefore, the Group's income will not be impacted. In case this provision is not reimbursable, the Group will record it as a legal dispute to income of the period in which change occurs.

**(b) Civil, labor and environmental**

	<u>09/30/2016</u>	<u>03/31/2016</u>
Civil	1,019,067	918,857
Labor	665,543	673,463
Environmental	45,194	44,484
	<u>1,729,804</u>	<u>1,636,804</u>
Non-reimbursable legal disputes	510,422	474,057
Reimbursable legal disputes	1,219,382	1,162,747
	<u>1,729,804</u>	<u>1,636,804</u>

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
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### 17. Commitments

As mentioned in note 17 to the Group's annual financial statements of March 31, 2016 the Group has entered into commitments to sell products, purchase sugar cane, fuels and industrial equipment, as well as lease and storage service agreements. During the six-month period ended September 30, 2016 no significant changes in those commitments occurred.

### 18. Equity

#### a) Capital

##### a.1) RESA

As of September 30, 2016, RESA capital totals R\$ 6,516,354 and that caption does not include the balance of redeemable preferred shares in the amount of R\$ 91,961 (R\$ 93,300 as of March 31, 2016), totaling R\$ 6,423,393 (R\$ 6,423,054 as of March 31, 2016). Capital is fully subscribed for and paid in and is divided as follows:

	Shareholders (shares in units)			
	Shell	Cosan Investimentos e Participações S.A. ("CIP") (1)	Cosan S.A. Indústria e Comércio ("Cosan S.A.")	Total
Common	3,621,641,599	3,621,641,599	-	7,243,283,198
Class A preferred shares	-	-	1	1
Class B preferred shares	-	-	133,242,457	133,242,457
Class C preferred shares	663,476	-	-	663,476
Class D preferred shares	100,000	-	-	100,000
Total at September 30 and March 31, 2016	<u>3,622,405,075</u>	<u>3,621,641,599</u>	<u>133,242,458</u>	<u>7,377,289,132</u>

(1) In June of 2014, Cosan S.A. contributed with all ordinary shares of RESA and RCSA to CIP.

#### Redeemable preferred shares - RESA

As mentioned in Note 9.a.3, the tax benefits resulting from NOL and GW balances recognized before the Raízen formation, should be refund to the shareholders as the Group use them as a decrease in balances of the taxes payable.

For the realization of these refunds, Class B preferred shares to Cosan S.A. and C and D classes to Shell with the purpose of compensating them through the payment of dividends in the amount of the tax benefit used by the Group from the period from January to December every year.

As of September 30, 2016 and March 31, 2016, the balance of preferred shares (Classes B and C) calculated as reducing the Equity under "Capital", totaled R\$ 91,961 (R\$ 93,300 as of March 31, 2016), of which R\$ 88,430 (R\$ 89,762 as of March 31, 2016) belongs to Cosan shareholder and R\$ 3,531 (R\$ 3,538 as of March 31, 2016) belongs to Shell shareholder (Note 9.a.3).

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
In thousands of Reals - R\$, unless otherwise indicated

### a.2) RCSA

As of September 30, 2016, RCSA capital totals R\$ 1,843,720 and that caption does not include the balance of redeemable preferred shares in the amount of R\$ 37,009 (R\$ 10,732 as of March 31, 2016), totaling R\$ 1,806,711 (R\$ 1,832,988 as of March 31, 2016). Capital is fully subscribed for and paid in and is divided as follows:

	Shareholders (shares in units)			
	Shell	CIP	Cosan	Total
Common	830,709,236	830,709,236	-	1,661,418,472
Class A preferred shares	1	-	-	1
Class B preferred shares	-	-	93,648,276	93,648,276
Class C preferred shares	8,437,012	-	-	8,437,012
Class D preferred shares	100,000	-	-	100,000
Class E preferred shares	174,038,252	-	-	174,038,252
Total at September 30, 2016	<u>1,013,284,501</u>	<u>830,709,236</u>	<u>93,648,276</u>	<u>1,937,642,013</u>
Total at March 31, 2016	<u>1,093,593,738</u>	<u>830,709,236</u>	<u>93,648,276</u>	<u>2,017,951,250</u>

### Redeemable preferred shares - RCSA

The tax benefits arising from the utilization of NOL balances generated by Shell before the formation of the RCSA, as well as tax benefits arising from goodwill tax amortization from Cosan S.A.'s contribution and also the tax benefits arising from the utilization of PIS and COFINS credits from the contribution of Fix Investimentos Ltda. ("FIX") (investment company of the subsidiary Raízen Mime Combustíveis S.A.), should be returned to the respective shareholders of RCSA to use as a decrease of the balances of taxes payable. These refunds required the issue of Class A preferred shares solely for FIX, class B for Cosan S.A. and class C, D and E for Shell with the purpose of compensating them through the payment of dividends in the amount of the tax benefit used by RCSA during the calendar year, from January to December, each year.

At the Annual and Special Shareholders' Meeting (AGOE) held on August 23, 2016, the RCSA shareholders approved the redemption of 80,309,237 Class C preferred shares, for the amount of R\$ 111,793, representing a reversal of R\$ 26,277, once such transaction had been reserved in the closing of the annual financial statements as at March 31, 2016, in the amount of R\$ 138,070.

As of September 30, 2016, the balance of preferred shares payable to Shell and Cosan S.A., recorded as a reduction in the Equity totals R\$ 37,009 (R\$ 10,732 as of March 31, 2016).

## **RAÍZEN Group**

**Notes to the consolidated combined and condensed interim financial information as of September 30, 2016**  
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### **b) Capital reserves**

#### **Capital reserve**

Mostly consists of goodwill resulting from the difference between the subscription price paid for the shares and their nominal values. That reserve may only be used to increase capital, absorb losses, redeem, reimburse or purchase shares or to pay cumulative dividends to preferred shares.

As mentioned in Note 18.a.2, in the AGOE held on August 23, 2016, the redemption of the Class C preferred shares, in the amount of R\$ 111,793, was carried out using a portion of the capital reserves balance, without decreasing RCSA's capital.

#### **Goodwill special reserve**

Share premium results from downstream mergers in the Group that became deductible for income and social contribution tax purposes. Therefore, the Group recognized goodwill special reserve in Equity as an effect of downstream mergers and as an offsetting entry to deferred tax assets that is equivalent to the 34% tax benefit resulting from the tax amortization of this goodwill.

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
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### c) Changes in dividends and interest on own capital (“JCP”)

<u>Companies</u>	<u>Salaries</u>	<u>Determination period</u>	<u>Approval in Special Shareholders’ Meeting and Annual and Special Shareholders’ Meeting</u>	<u>Nature and type of share</u>	<u>Gross amount</u>	<u>No impact in equity</u>	<u>Net value</u>	<u>Receivable</u>
RCSA	Intermediary dividends	01/01/2016-02/29/2016	03/18/2016	Common	-	-	112,000	Shell
RCSA	JCP	From 01/01/2016 to 02/29/2016	03/18/2016	Common	-	-	28,050	Shell
RESA	Ordinary dividends	Balance of retained earnings	03/18/2016	Common	-	-	125,000	Shell
Mime	Provision for minimum mandatory dividend	Year ended 03/31/2016	06/16/2016	Common	-	-	4,799	Non-
Mime	Complementary dividends	Balance of retained earnings	06/23/2016	Common	8,165	(2,084)	6,081	Non-
RCSA	Interim dividends	Balance of retained earnings	06/23/2016	Common	33,000	-	33,000	Shell
RCSA	Intermediary dividends	04/01/2016-05/31/2016	06/23/2016	Common	51,000	-	51,000	Shell
RCSA	JCP	03/01/2016-05/31/2016	06/23/2016	Common	45,000	-	38,250	Shell
RCSA	Exclusive dividends	Year ended 03/31/2016	08/23/2016	C Preferred	-	111,793	111,793	Shell
Sabbá	Provision for minimum mandatory dividend	Year ended 03/31/2016	08/30/2016	Common	-	-	2,176	Non-
RESA	Provision for minimum mandatory dividend	Year ended 03/31/2016	07/29/2016	Common	-	-	9,865	Shell
RCSA	Intermediary dividends	04/01/2016-08/31/2016	09/21/2016	Common	376,000	-	376,000	Shell
RCSA	JCP	03/01/2016-08/31/2016	09/21/2016	Common	49,000	-	41,650	Shell
RCSA	Exclusive dividends	Year ended 03/31/2016	08/23/2016	D preferred	-	-	729	Shell
RCSA	Exclusive dividends	Balance of retained earnings	08/23/2016	D preferred	352	-	352	Shell
RESA	Exclusive dividends	Balance of retained earnings	07/29/2016	B preferred	-	1,332	1,332	Cosa
RESA	Exclusive dividends	Balance of retained earnings	07/29/2016	C Preferred	-	7	7	Shell
RESA	Exclusive dividends	Balance of retained earnings	07/29/2016	D preferred	1,081	-	1,081	Shell
<b>Dividends and interest on own capital paid during the period</b>							<b>943,165</b>	
Sabbá	Provision for minimum mandatory dividend	Year ended 03/31/2016	08/30/2016	Common	-	-	2,176	Non-
<b>Dividends and interest on own capital (combined consolidated) payable as of September 30, 2016</b>							<b>2,176</b>	
<b>Impacts of dividends and interest on own capital in combined consolidated equity</b>					<b>563,598</b>			

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
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### d) Equity valuation adjustments

	<u>03/31/2016</u>	<u>Comprehensive income (loss)</u>	<u>09/30/2016</u>
Effect of foreign currency translation - CTA	1,433	2,540	3,973
Actuarial Losses from defined benefit plans	(9,091)	-	(9,091)
Net loss with financial instruments designated as hedge accounting	<u>(525,963)</u>	<u>(260,686)</u>	<u>(786,649)</u>
	<u>(533,621)</u>	<u>(258,146)</u>	<u>(791,767)</u>
Attributable to:			
Group's controlling shareholders	(533,611)	(258,146)	(791,757)
Group's non-controlling shareholders	(10)	-	(10)
	<u>03/31/2015</u>	<u>Comprehensive income (loss)</u>	<u>09/30/2015</u>
Effect of foreign currency translation - CTA	1,377	67	1,444
Actuarial losses from defined benefit plans	(9,556)	-	(9,556)
Net gain (loss) on financial instruments designated as hedge accounting	<u>22,832</u>	<u>(125,779)</u>	<u>(102,947)</u>
	<u>14,653</u>	<u>(125,712)</u>	<u>(111,059)</u>
Attributable to:			
Group's controlling shareholders	14,663	(125,712)	(111,049)
Group's non-controlling shareholders	(10)	-	(10)

### e) Income reserves

#### i) **Legal reserve**

The legal reserve consists of the allocation of 5% of the profit reported in the year, according to the by-laws of RESA and RCSA, parent company and in compliance with LSA.

#### ii) **Profit retention reserve**

It refers to the remaining balance of the Group's profit, after the appropriations made to set up the legal reserve and to accrue dividends. Under RESA's and RCSA's by-laws, up to 80% of the year's profit may be allocated to that reserve, to fund operations and to new investments and projects, which may not exceed the percentage of 80% of capital.

#### iii) **Tax incentive reserve**

The tax incentive reserve consists of incentives recognized in RESA's indirect subsidiary, Raízen Caarapó Açúcar e Alcool Ltda. ("Caarapó"), arising from Agreement 331/2008 entered into between Caarapó and the state of Mato Grosso do Sul, whereby a tax benefit on the processing of sugar in that state is granted in an amount equivalent to 67% of the ICMS debt balance.

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### f) Interest of non-controlling shareholders

Corresponds to the non-controlling shareholders on net assets of the following subsidiaries:

<u>Interest of Group's non-controlling shareholders (Note 2.3)</u>	<u>09/30/2016</u>	<u>03/31/2016</u>
Unimodal Ltda.	26.59%	26.59%
Petróleo Sabbá S.A.	20.00%	20.00%
Raízen Mime Combustíveis S.A.	24.00%	24.00%
Sabor Raíz Alimentação S.A.	40.00%	40.00%

### 19. Net operating revenue

	<u>Jul- Sep/ 2016</u>	<u>Apr-Sep/ 2016</u>	<u>Jul- Sep/ 2015</u>	<u>Apr- Sep/ 2015</u>
Gross revenue from sale of products and services	20,586,423	40,175,857	18,573,848	35,434,498
Taxes, deductions and rebates on sales (1)	<u>(822,606)</u>	<u>(1,528,481)</u>	<u>(685,835)</u>	<u>(1,306,665)</u>
Net operating revenue	<u>19,763,817</u>	<u>38,647,376</u>	<u>17,888,013</u>	<u>34,127,833</u>

(1) During the six-month period ended September 30, 2016 and 2015, net revenue includes amortizations related to exclusive supply rights in the respective amounts of R\$ 161,604 and R\$ 153,208.

The net operating revenue is segregated between the following components:

	<u>Jul- Sep/ 2016</u>	<u>Apr-Sep/ 2016</u>	<u>Jul- Sep/ 2015</u>	<u>Apr- Sep/ 2015</u>
Net revenue from sale of products and services	20,038,252	39,042,780	17,982,327	34,273,157
Loss on derivatives designated as hedge accounting (Note 23.e)	(265,979)	(390,683)	(96,533)	(149,178)
Gain (loss) with commodities derivatives	<u>(8,456)</u>	<u>(4,721)</u>	<u>2,219</u>	<u>3,854</u>
Net operating revenue	<u>19,763,817</u>	<u>38,647,376</u>	<u>17,888,013</u>	<u>34,127,833</u>

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
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### 20. Costs and expenses by nature

#### Reconciliation of costs and expenses by nature

Costs and expenses are recognized in the combined consolidated statement of income by function. The reconciliation of the Group's results by nature for the periods ended September 30, 2016 and 2015 is as follows:

#### Costs and expenses by nature:

	<u>Jul- Sep/ 2016</u>	<u>Apr-Sep/ 2016</u>	<u>Jul- Sep/ 2015 (restated)</u>	<u>Apr- Sep/ 2015 (restated)</u>
Fuels - resales	(16,211,074)	(31,694,603)	(14,726,442)	(28,720,500)
Raw material	(987,215)	(1,866,442)	(895,954)	(1,806,545)
Depreciation and amortization (1)	(488,959)	(1,031,451)	(513,413)	(866,610)
Personnel expenses	(356,749)	(737,069)	(388,218)	(655,818)
Cutting, loading and transportation - CCT	(179,924)	(365,480)	(209,320)	(288,010)
Freight	(80,407)	(161,300)	(72,490)	(143,482)
Commercial expenses	(83,071)	(164,831)	(82,784)	(144,931)
Maintenance materials	(119,435)	(245,542)	(101,516)	(161,914)
Outsourced labor	(64,598)	(122,491)	(62,487)	(113,924)
Rental and leases	(46,905)	(175,108)	(78,364)	(126,017)
Change in fair value of biological assets	124,470	129,063	18,659	70,747
Realization of the fair value of biological assets	(126,726)	(241,624)	(13,351)	(26,632)
Resale of energy	(19,429)	(26,754)	(17,188)	(20,429)
Logistics expenses	(48,641)	(85,545)	(27,681)	(50,560)
Telecommunications	(6,844)	(12,256)	(5,948)	(11,379)
Other expenses	(146,403)	(322,469)	(200,347)	(358,290)
	<u>(18,841,910)</u>	<u>(37,123,902)</u>	<u>(17,376,844)</u>	<u>(33,424,294)</u>

(1) Does not include the amortization of exclusive supply rights that are recognized as sales deductions and rebates (Note 19).

#### Classified as:

	<u>Jul- Sep/ 2016</u>	<u>Apr-Sep/ 2016</u>	<u>Jul- Sep/ 2015 (restated)</u>	<u>Apr- Sep/ 2015 (restated)</u>
Cost of products sold and services provided	(18,123,300)	(35,712,311)	(16,676,024)	(32,156,002)
Sales expenses	(489,990)	(951,939)	(476,508)	(828,404)
General and administrative expenses	(228,620)	(459,652)	(224,312)	(439,888)
	<u>(18,841,910)</u>	<u>(37,123,902)</u>	<u>(17,376,844)</u>	<u>(33,424,294)</u>

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### 21. Other operating revenue, net

	<u>Jul- Sep/ 2016</u>	<u>Apr-Sep/ 2016</u>	<u>Jul- Sep/ 2015</u>	<u>Apr- Sep/ 2015</u>
Recognition of extemporaneous deferred tax assets, net (1)	196,693	225,933	-	-
Gain in the disposal of shares (2)	166,132	166,132	-	-
Gain from sale of property, plant and equipment and biological assets	7,949	62,813	30,342	42,968
Income from rental and leases	24,847	51,539	29,184	58,143
Income from royalties	13,269	25,480	12,978	27,170
Merchandising	11,318	23,789	13,657	25,893
Commissions on sales of lubricants and cards	5,425	8,674	8,076	19,940
Store rental revenue	3,364	6,736	3,761	7,731
Reversal (constitution) of estimated loss on fixed and intangible assets, net (Note 11)	(2,902)	(5,985)	13,039	2,696
Provision for legal disputes and contingencies, net	(7,610)	(12,210)	(3,160)	(3,684)
Loss with commercial operations (3)	(6,916)	(34,105)	(12,711)	(5,854)
Other income (expenses), net	<u>(9,625)</u>	<u>(11,474)</u>	<u>589</u>	<u>5,199</u>
	<u>401,944</u>	<u>507,322</u>	<u>95,755</u>	<u>180,202</u>

(1) Refers to the tax recovery credits incurred in the fiscal periods prior to March 31, 2016.

(2) Refers to the gain on the sale of the 10% ownership interest of RCSA in STP. (Note 10).

(3) Substantially refers to the result of the washout of certain business contracts, in the scope of the execution of the business strategy of the Group in the ordinary course of its businesses.

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### 22. Financial results

	<u>Jul- Sep/ 2016</u>	<u>Apr-Sep/ 2016</u>	<u>Jul- Sep/ 2015</u>	<u>Apr- Sep/ 2015</u>
<u>Financial expenses</u>				
Interest	(204,732)	(399,631)	(206,001)	(371,371)
PIS and COFINS credits on financial income	(9,852)	(20,259)	(12,332)	(12,332)
Liability monetary variation	(18,015)	(51,337)	(48,850)	(75,995)
Other	(4,983)	(10,477)	(6,122)	(12,999)
	<u>(237,582)</u>	<u>(481,704)</u>	<u>(273,305)</u>	<u>(472,697)</u>
Less: amounts capitalized on qualifying assets (Note 11)	6,704	17,678	7,310	15,583
Fair value of financial instruments (Note 14)	(110,671)	(80,996)	234,720	234,720
	<u>(341,549)</u>	<u>(545,022)</u>	<u>(31,275)</u>	<u>(222,394)</u>
<u>Financial income</u>				
Interest	82,018	164,323	68,071	131,790
Yields from financial investments	116,330	217,719	103,228	172,983
Monetary variation - assets and others	4,499	23,272	10,195	21,507
	<u>202,847</u>	<u>405,314</u>	<u>181,494</u>	<u>326,280</u>
<u>Foreign exchange variations, net (i)</u>	<u>(42,643)</u>	<u>336,117</u>	<u>(1,026,629)</u>	<u>(853,266)</u>
<u>Net effect of the derivatives (ii)</u>	<u>107,102</u>	<u>(248,435)</u>	<u>320,992</u>	<u>172,657</u>
	<u>(74,243)</u>	<u>(52,026)</u>	<u>(555,418)</u>	<u>(576,723)</u>

- (i) Includes net foreign exchange gains and losses on assets and liabilities denominated in foreign currency; and,  
(ii) Includes realized results and unrealized with options, swaps and NDFs and other derivatives (not related to the Commodity price risk).

## **RAÍZEN Group**

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### **23. Financial instruments**

#### **(a) Overview**

The Group has exposure to the following market risks:

- Price risk
- Foreign exchange rate risk
- Interest rate risk
- Credit risk
- Liquidity risk

#### **(b) Risk management framework**

The Group has specific treasury and trading policies that set risk management guidelines.

The Group has two main committees to monitor activities and ensure policy compliance: (i) A risk committee whose members gather weekly to analyze the behavior of commodity and foreign exchange markets and decide on coverage positions and the strategy to fix the prices of sugar exports and imports to reduce the negative effects of changes in prices and exchange rates; and, (ii) an ethanol committee whose members gather monthly to assess the risks posed by the sale of ethanol and to comply with the limits set on risk policies.

The Group is exposed to market risks, as follows: (i) fluctuations in prices of sugar, ethanol and derived of oil; (ii) fluctuations in exchange rates; and, (iii) fluctuations in interest rates. The purchases of financial instruments for hedging purposes are made according to an analysis of the risk exposure that Management intends to cover.

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As of September 30 and March 31, 2016, the fair values of transactions with derivative financial instruments for hedging and other purposes were determined according to observable data, such as prices quoted in active markets or discounted cash flows according to market curves and are presented below:

	Notional		Fair value	
	09/30/2016	03/31/2016	09/30/2016	03/31/2016
Price risk				
Commodity derivatives				
Futures contracts	1,460,726	2,425,895	(475,850)	(392,352)
	1,460,726	2,425,895	(475,850)	(392,352)
Foreign exchange rate risk				
Foreign exchange rate derivative				
Futures contracts	534,000	546,895	(233)	5,080
Forward contracts	1,404,918	2,802,293	(35,996)	291,758
Foreign exchange lock	541,760	494,014	72,572	40,382
Foreign exchange swap	(5,664,548)	(6,233,931)	(80,108)	392,357
	(3,183,870)	(2,390,729)	(43,765)	729,577
Interest rate risk				
Interest rate swap	(568,085)	(622,808)	(3,693)	(6,715)
	(568,085)	(622,808)	(3,693)	(6,715)
Total			(523,308)	330,510
Current assets			388,382	638,079
Non-current assets			323,097	597,653
Total assets			711,479	1,235,732
Current liabilities			(624,495)	(579,278)
Non-current Liabilities			(610,292)	(325,944)
Total liabilities			(1,234,787)	(905,222)
Total			(523,308)	330,510

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### (c) Price risk

Price risks result from the possibility of fluctuations in the market prices of the products sold by the Group, mainly raw sugar (sugar #11), refined sugar (sugar #5 or *white sugar*), heating oil and ethanol. These price fluctuations may cause substantial alterations in the sales income and costs. To mitigate these risks, the Group permanently monitors markets, seeking to anticipate price changes. The table below shows the positions as of September 30, 2016 of derivative instruments to cover the risk of fluctuations in commodity prices:

Price risk: commodity derivatives open as of September 30, 2016							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair value (R\$ thousand)
Future	Sold	NYSE LIFFE	Sugar#5	Nov16-Apr17	29,550 t	35,319	(10,120)
Future	Sold	ICE	Sugar#11	Feb17-May18	2,717,166 t	3,251,856	(684,630)
Options	Sold	ICE	Sugar#11	Feb17-Sep17	221 t	19,122	(33,454)
Future	Sold	OTC	Sugar#11	Apr17-Feb18	- t	-	(2,491)
Sub-total sugar future sold					2,746,937 t	3,306,297	(730,695)
Future	Purchased	NYSE LIFFE	Sugar#5	Nov16	(6,000) t	(3,334)	822
Future	Purchased	ICE	Sugar#11	Feb17-May18	(1,169,115) t	(1,427,194)	145,598
Options	Purchased	ICE	Sugar#11	Feb17-Sep17	(221) t	(19,835)	10,993
Sub-total sugar future bought					(1,175,336) t	(1,450,363)	157,413
Sub-total sugar future					1,571,601 t	1,855,934	(573,282)
Future	Sold	BM&FBovespa	Ethanol	Oct16-Jan17	245,223 m <sup>3</sup>	78,540	(117)
Future	Sold	NYMEX	Ethanol	Oct16-Mar17	18,000 m <sup>3</sup>	26,810	1,039
Future	Sold	CHGOETHNL	Ethanol	Oct16-Mar17	95,382 m <sup>3</sup>	443	(13,992)
Sub-total ethanol future sold					358,605 m <sup>3</sup>	105,793	(13,070)
Future	Purchased	BM&FBovespa	Ethanol	Oct16-Mar17	(248,014) m <sup>3</sup>	(84,060)	54
Future	Purchased	NYMEX	Ethanol	Oct16-Mar16	(12,000) m <sup>3</sup>	(18,295)	(871)
Future	Purchased	CHGOETHNL	Ethanol	Oct16-Mar17	(201,222) m <sup>3</sup>	(1,175)	29,073
Sub-total ethanol future bought					(461,236) m <sup>3</sup>	(103,530)	28,256
Physical fixed	Sold	CHGOETHNL	Ethanol	Oct16-May17	410,195 m <sup>3</sup>	664,573	17,314
Sub-total physical fixed ethanol sold					410,195 m <sup>3</sup>	664,573	17,314
Physical fixed	Purchased	CHGOETHNL	Ethanol	Oct16-May17	(468,395) m <sup>3</sup>	(631,516)	(109)
Sub-total physical fixed ethanol bought					(468,395) m <sup>3</sup>	(631,516)	(109)
Sub-total future physical fixed ethanol					(160,831) m <sup>3</sup>	35,320	32,391
Future	Purchased	NYMEX	Heating oil / gas	Oct16-Dec16	(730,809) m <sup>3</sup>	(879,785)	55,464
Sub-total future heating oil/gas bought					(730,809) m <sup>3</sup>	(879,785)	55,464
Future	Sold	NYMEX	Heating oil / gas	Oct16-Nov16	350,641 m <sup>3</sup>	449,257	9,577
Sub-total future heating oil/gas sold					350,641 m <sup>3</sup>	449,257	9,577
Sub-total future heating oil/gas					(380,168) m <sup>3</sup>	(430,528)	65,041
Net exposure of derivatives of goods in September 2016						1,460,726	(475,850)
Net exposure of derivatives of goods in March 2016						2,425,895	(392,352)

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### (d) Foreign exchange rate risk

Exchange rate risks arise from the possibility of fluctuations in the exchange rates used by Raízen Group for export revenues, imports, financing cash flows and other foreign currency assets and liabilities. The Group uses derivative transactions to manage cash flow risks resulting from export revenues denominated in US dollars, net of other cash flows also denominated in foreign currency. The table below shows the positions outstanding as of September 30, 2016, for derivatives used to cover exchange rate risks:

<b>Foreign exchange rate risk: outstanding foreign exchange derivatives as of September 30, 2016</b>							
<b>Derivatives</b>	<b>Purchased / Sold</b>	<b>Market</b>	<b>Contract</b>	<b>Maturity</b>	<b>Notional (units)</b>	<b>Notional (R\$ thousand)</b>	<b>Fair value (R\$ thousand)</b>
Future	Sold	BM&FBovespa	Trade dollar	Oct16-Nov16	473,500	1,537,076	(387)
Future	Sold	BM&FBovespa	DDI	Jan-17	93,000	301,897	208
Subtotal future sold					<u>566,500</u>	<u>1,838,973</u>	<u>(179)</u>
Future	Purchased	BM&FBovespa	Trade dollar	Oct16-Nov16	(309,000)	(1,003,076)	154
Future	Purchased	BM&FBovespa	DDI	Jan-17	(93,000)	(301,897)	(208)
Subtotal future bought					<u>(402,000)</u>	<u>(1,304,973)</u>	<u>(54)</u>
Subtotal future bought/sold					<u>164,500</u>	<u>534,000</u>	<u>(233)</u>
Term	Purchased	OTC/Cetip	NDF	Oct16-Apr17	(1,520,873)	(4,935,984)	(83,351)
Term	Sold	OTC/Cetip	NDF	Oct16-Apr17	1,925,793	6,340,902	47,355
Subtotal term bought/sold					<u>404,920</u>	<u>1,404,918</u>	<u>(35,996)</u>
Foreign exchange swap	Purchased	OTC	Foreign exchange swap	Sep17-Sep22	(2,314,111)	(7,512,069)	(351,250)
Foreign exchange swap	Sold	OTC	Foreign exchange swap	Mar19-Jan22	569,133	1,847,521	271,142
Subtotal exchange swap					<u>(1,744,978)</u>	<u>(5,664,548)</u>	<u>(80,108)</u>
Foreign exchange lock	Sold	OTC	Foreign exchange lock	Oct16-Apr17	140,000	541,760	72,572
Subtotal foreign exchange lock					<u>140,000</u>	<u>541,760</u>	<u>72,572</u>
Net exposure of foreign exchange derivatives in September 2016					<u>(1,035,558)</u>	<u>(3,183,870)</u>	<u>(43,765)</u>
Net exposure of foreign exchange derivatives in March 2016					<u>(808,135)</u>	<u>(2,390,729)</u>	<u>729,577</u>

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On September 30, 2016, the summary of the quantitative data on net exposure to Group's foreign exchange risk, considering the foreign exchange rate of all currencies to USD, is presented below:

	<b>09/30/2016</b>	
	<b>R\$</b>	<b>US\$ (in thousands)</b>
Cash and cash equivalents (Note 3)	266,845	82,202
Restricted cash (Note 4)	784,642	241,711
Accounts receivable - Abroad (Note 5)	194,237	59,835
Related parties, net (Note 9.a)	(679,478)	(209,315)
Suppliers (Note 13)	(166,289)	(51,226)
Loans and financing (Note 14)	(6,211,891)	(1,913,589)
Derivative financial instruments, net (Note 23.d) (1)		<u>1,035,558</u>
Net foreign exchange exposure		<u>(754,824)</u>
Derivatives settled in the month before the closing (2)		<u>(10)</u>
Net foreign exchange exposure, adjusted in September 2016 (3)		<u>(754,834)</u>
Net foreign exchange exposure, adjusted in March 2016		<u>(694,053)</u>

(1) Refers to the notional foreign exchange derivative transactions.

(2) Maturities on October 2016, whose settlement was given by PTAX on the last closing day of the month.

(3) The net foreign exchange exposure, this will be substantially offset by probable future income of export products.

### (e) Hedge accounting effect

The Group formally designates its transactions subject to hedge accounting aiming at hedging cash flows. are assigned to sugar and ethanol incomes, the cost of import of derivatives and foreign currency debt, documenting: (i) the hedging relationship, (ii) the Group's risk management purpose and strategy when entering into the hedging instrument, (iii) the identification of the financial instrument, (iv) the covered object or transaction, (v) the nature of the risk to be covered, (vi) the description of the hedging relationship, (vii) the relation between the hedging instrument and the covered item, and (viii) the retrospective and prospective testing of the effectiveness of the hedging instrument.

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As of September 30, 2016, the impacts recognized in the Group's equity and the estimated realization in profit or loss are shown below:

Derivative	Market	Risk	Period for realization		09/30/2016	03/31/2016
			2016/17	2017/18		
Future	OTC / ICE	Sugar#11	(578,563)	(418,461)	(997,024)	(399,036)
Future	BM&FBovespa	Ethanol	2,306	-	2,306	1,771
Options (1)	OTC / ICE	Sugar#11	(14,208)	-	(14,208)	-
Future	NYMEX	Heating oil	46,656	-	46,656	(6,285)
Term	OTC / ICE	Foreign exchange	6,793	-	6,793	(53,689)
ACC and PPE	Debt	Foreign exchange	(236,409)	-	(236,409)	(339,670)
			<u>(773,425)</u>	<u>(418,461)</u>	<u>(1,191,886)</u>	<u>(796,909)</u>
(-) Deferred taxes			<u>262,960</u>	<u>142,277</u>	<u>405,237</u>	<u>270,946</u>
Effect in equity			<u>(510,465)</u>	<u>(276,184)</u>	<u>(786,649)</u>	<u>(525,963)</u>

- (1) During the quarter ended September 30, 2016, the Group initiated to operate in market of commodities options "Sugar#11". The actual strategy utilized is the zero cost collar, such operations are designated as hedge accounting, recording for the effect of changes in the intrinsic value of the option as cash flow hedge, differing its effects on equity.

We show below the changes in the balances of other comprehensive income (loss) during the period:

### Cash flow hedge

Balance as at March 31, 2016	<u>(525,963)</u>
Gains (losses) during the period:	
Fair value loss on commodity futures designated as hedge accounting	(879,357)
Fair value loss on forward exchange contracts designated as hedge accounting	(54,298)
Exchange variation gain on debt contracts designated as hedge accounting	103,260
Realization of results on commodities in net operating revenue (Note 19)	390,683
Realization of results on commodities/foreign exchange result in cost of product sold	44,735
Total variations occurred during the period (before deferred taxes)	<u>(394,977)</u>
Effect of deferred taxes on equity valuation adjustments (Note 15.e)	134,291
	<u>(260,686)</u>
Balance as at September 30, 2016	<u>(786,649)</u>

### (f) Interest rate risk

The Group monitors fluctuations in interest rates applied to certain debts, particularly those exposed to the Libor, and uses derivative instruments to manage those risks. The table below shows the positions outstanding as of September 30, 2016, for derivatives used to cover interest rate risk:

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Interest rate risk: Interest derivatives, outstanding as of September 30, 2016							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (US\$ thousand)	Notional (R\$ thousand)	Fair value (R\$ thousand)
Interest rate swap	Purchased	OTC	Interest rate swap	Sep 17 - Mar 19	(175,000)	(568,085)	(3,693)
Sub-total interest rate swap					(175,000)	(568,085)	(3,693)
Net exposure of interest derivatives in September 2016					(175,000)	(568,085)	(3,693)
Net exposure of interest rate derivatives in March 2016					(175,000)	(622,808)	(6,715)

### (g) Credit risk

A substantial part of the Group's sales is made to a select group of highly qualified counterparties, such as trading companies, fuel distribution companies and major supermarket chains.

The Group manages credit risk by following specific client acceptance standards, analyzing client credit standing and setting exposure limits per client, requiring, when applicable, letters of credit of top tier banks and taking security interest in assets as security for payment of the credit facilities granted to clients. Management considers that the credit risk is substantially covered by the allowance for doubtful debts in respect of trade and other receivables.

Individual risk limits are determined according to internal and external classifications and the limits set by Group's Management. The use of credit limits is regularly monitored. No credit limit was exceeded during the period, and Management does not expect any loss from default by these counterparties in amounts higher than those already provided for.

The Group enters into commodity derivative agreements in futures markets and options at the New York Board of Trade - NYBOT and at the London International Financial Futures and Options Exchange - LIFFE, as well as in over-the-counter markets with selected counterparties. The Group enters into foreign exchange rate and commodity derivative agreements at BM&FBovespa and over-the-counter agreements registered with CETIP, mainly with the leading local and foreign banks considered by global credit risk rating agencies to have investment level ratings.

**Guarantee margins** - Derivative transactions in commodity exchanges (NYBOT, LIFFE, and BM&FBovespa) require guarantee margins. The total combined consolidated margin deposited as of September 30, 2016 is R\$ 802,847, of which R\$ 135,943 in restricted financial investments and R\$ 666,904 in derivative transaction margins. The total margin deposited as of March 31, 2016 is R\$ 812,303, of which R\$ 136,116 in restricted financial investments and R\$ 676,187 in derivative transaction margins.

The Group's over-the-counter derivative transactions do not require a guarantee margin.

The credit risk on cash and cash equivalents is mitigated by the conservative distribution of investment funds and CDBs, which make up the caption. The distribution follows strict criteria for allocation and exposure to counterparties that are major national and international banks, mainly considered investment grade by international rating agencies.

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### (h) Liquidity risk

Liquidity risk is the risk of the Group encountering difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As part of the liquidity management process, management prepares business plans and monitors their implementation, discussing positive and negative cash flow risks and assessing the availability of funds to support its operations, investments and refinancing needs.

The table below shows the main financial liabilities according to their aging schedules:

	09/30/2016				Total
	Up to 1	Up to 2	In years:		
			3-5	>5	
Loans and financing (1)	1,848,740	1,905,915	9,846,841	2,924,617	16,526,113
Suppliers (Note 13)	2,081,716	-	-	-	2,081,716
Derivative financial instruments (Note 13.b)	624,495	201,040	212,591	196,661	1,234,787
Related parties (Note 9.a)	1,450,236	-	-	1,311,776	2,762,012
	<u>6,005,187</u>	<u>2,106,955</u>	<u>10,059,432</u>	<u>4,433,054</u>	<u>22,604,628</u>

(1) Undiscounted contractual cash flows.

### (i) Fair value

Procedures over the definition, measurement and recognition of the fair value of financial assets and liabilities are the same disclosed on annual financial statements of March 31, 2016 (Note 23.i).

The fair value of financial instruments of the Group approximate their carrying amount, except for the loans and financing, which are subject to variable interest rates. The fair value of Senior Notes is based on prices quoted on the reporting date of the interim financial information. On September 30, 2016 the market value of Senior Notes was 101.56% of face value (103.50% in March 31, 2016).

#### **Fair value hierarchy**

The Group uses the following hierarchy to determine and disclose the fair values of financial instruments according to the valuation technique used:

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

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Financial instruments measured at fair value as of September 30, 2016	Level 1	Level 2	Level 3	Total
Interest earnings bank deposits (Note 3)	-	3,232,715	-	3,232,715
Non-derivative financial assets (Note 23.b)	296,982	414,497	-	711,479
Loans and financing (Note 14)	-	(3,445,316)	-	(3,445,316)
Derivative financial liabilities (Note 23.b)	(770,573)	(461,723)	(2,491)	(1,234,787)
Total as at September 30, 2016	(473,591)	(259,827)	(2,491)	(735,909)
Total as at March 31, 2016	(376,999)	533,671	(10,273)	146,399

#### (j) Sensitivity analysis

We present below the sensitivity analysis of the fair value of financial instruments according to the types of risk considered relevant by the Group.

#### Assumptions for the sensitivity analysis

The Group has adopted three scenarios for the sensitivity analysis, one probable and two that may show the effects of deterioration in the fair values of the Group's financial instruments. The probable scenario was set according to the futures market curves of sugar and US dollar as of September 30 and March 31, 2016 using the curve that sets the balance of fair value for instruments on the date. Possible and remote adverse scenarios were set considering impacts of 25% and 50% on sugar and US dollar price curves, which were calculated as a basis for the probable scenario.

#### Sensitivity table

##### (1) Change in fair value of derivative financial instruments

	Risk factor	Impacts on income (*)				
		Probable scenario	Possible scenario + (25%)	Balance of fair value	Remote scenario + (50%)	Balance of the fair value
<u>Price risk</u>						
Commodity derivatives						
Futures and options contracts:						
Purchase and sale commitments	High sugar prices	(573,282)	(666,897)	(1,240,180)	(1,333,794)	(1,907,077)
Purchase and sale commitments	Ethanol price decrease	32,391	(126,497)	(94,106)	(252,994)	(220,603)
Purchase and sale commitments	Oil price increase	65,041	(63,601)	1,440	(127,202)	(62,160)
		(475,850)	(856,995)	(1,332,846)	(1,713,990)	(2,189,840)
<u>Foreign exchange rate risk</u>						
Foreign exchange rate derivative						
Futures contracts:						
Purchase and sale commitments	Increased price by R\$/US\$	(233)	189,332	189,099	378,664	378,431
Fixed-term and Lock Contracts:						
Purchase and sale commitments	Price decrease by R\$/US\$	36,576	441,126	477,702	882,252	918,828
Foreign exchange swaps:						
Purchase and sale commitments	Increased price by R\$/US\$	(80,108)	(1,352,475)	(1,432,583)	(2,704,950)	(2,785,058)
		(43,765)	(722,017)	(765,782)	(1,444,034)	(1,487,799)
<u>Interest rate risk</u>						
Interest derivatives						
Swap contracts, lock, DI, and NDF	Increase in interest rate	(3,693)	(5,855)	(9,548)	(11,872)	(15,565)
		(3,693)	(5,855)	(9,548)	(11,872)	(15,565)
Total		(523,308)	(1,584,867)	(2,108,176)	(3,169,896)	(3,693,204)

## RAÍZEN Group

### Notes to the consolidated combined and condensed interim financial information as of September 30, 2016 In thousands of Reais - R\$, unless otherwise indicated

(\*) Result projected to occur within 12 months from September 30, 2016.

#### (2) Net foreign exchange exposure

The probable scenario considers the position as of September 30, 2016. The effects of the possible and remote scenarios that would be recognized in the combined consolidated statement of profit or loss as revenue or expenses on exchange rate fluctuation are as follows:

Net foreign exchange exposure as of September 30, 2016	Effect of exchange variation				
	Scenarios				
	25%	50%	-25%	-50%	
Cash and cash equivalents (Note 3)	266,845	66,711	133,423	(66,711)	(133,423)
Restricted cash (Note 4)	784,642	196,161	392,321	(196,161)	(392,321)
Accounts receivable from abroad (Note 5)	194,237	48,559	97,119	(48,559)	(97,119)
Related parties, net (Note 9.a)	(679,478)	(169,870)	(339,739)	169,870	339,739
Suppliers (Note 13)	(166,289)	(41,572)	(83,145)	41,572	83,145
Loans and financing (Note 14)	(6,211,891)	(1,552,973)	(3,105,946)	1,552,973	3,105,946
Impact on income statement in the period		(1,452,984)	(2,905,967)	1,452,984	2,905,967

#### (3) Interest rate sensibility

As at September 30, 2016, the probable scenario considers the annual weighted average rate of floating interests of loans and financing, and for financial investments, the CDI accumulated in the last 12 months. In both cases, simulations were run considering the increase and reduction by 25% and 50%. The combined consolidated results of this sensitivity are as follows:

	September 30, 2016				
	Interest rate sensibility				
Probable scenario	25%	50%	-25%	-50%	
Interest earning bank deposits	446,140	111,535	223,070	(111,535)	(223,070)
Loans and financing	(798,899)	(199,725)	(399,450)	199,725	399,450
Impact on income statement in the period	(352,759)	(88,190)	(176,380)	88,190	176,380

#### (k) Capital management

The Group's goal, when managing its capital structure, is to ensure that it will continue as a going concern and be able to finance investment opportunities, by keeping a healthy credit profile and offering an appropriate return to its shareholders.

Group has relationships with large local and international banks and financial institutions as show below:

Branch	Scale	Rating	Outlook	Date
Fitch	National	AAA (bra)	Stable	08/09/2016
Moody's	National	Aaa.Br	Clearance	05/11/2016
Standard & Poor's	National	brAAA	Clearance	05/31/2016

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
In thousands of Reais - R\$, unless otherwise indicated

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The financial leverage ratios on September 30 and March 31, 2016 were calculated as follows:

	<u>09/30/2016</u>	<u>03/31/2016 (Restated)</u>
Third party capital		
Loans and financing (Note 14)	12,758,177	12,852,726
(-) Cash and cash equivalents (Note 3)	(4,328,303)	(4,372,631)
(-) Financial investments linked to financing (note 4)	(60,209)	(62,302)
(-) National Treasury Certificates - CTN (Note 8)	(686,519)	(627,219)
(±) Foreign exchange and interest rate derivatives (Note 23.b)	47,458	(722,862)
	<u>7,730,604</u>	<u>7,067,712</u>
Own capital		
Shareholders' equity		
Attributed to the parent company's shareholders	11,542,647	10,982,504
Interest of non-controlling shareholders	186,304	169,573
	<u>11,728,951</u>	<u>11,152,077</u>
Total own capital and third-parties	19,459,555	18,219,789
Leverage ratio	<u>40%</u>	<u>39%</u>

## **RAÍZEN Group**

**Notes to the consolidated combined and condensed interim financial information as of September 30, 2016**  
In thousands of Reais - R\$, unless otherwise indicated

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### **24. Retirement supplementation plan**

#### **(a) Pension fund**

##### **Defined contribution**

During the six-month period ended September 30, 2016, the contribution recognized as expenses amounted to R\$ 9,026 (R\$ 3,548 as of September 30, 2015).

#### **(b) Profit sharing**

The Group recognizes a liability and a profit sharing expense based on a methodology that considers pre-defined targets to employees. The Group recognizes a provision when it is contractually compelled or when there is a past practice that created non-formalized obligation.

### **25. Corporate restructuring**

#### **(i) Corporate restructuring regarding the downstream merger of Tarumã by Paraguaçu**

On June 1, 2016, the downstream merger of Tarumã by Paraguaçu was approved. As a result of this merger, and considering that Tarumã held 99.9999% of the capital of Paraguaçu, there was a capital increase in that company through the issue of 247,433,845 new shares of R\$ 247.434, net of the following amounts: (a) R\$ 301,729 regarding the investment that Tarumã had in Paraguaçu; and (b) R\$ 43,049 corresponding to the recurring effect of the tax incentive reserve recognized in the subsidiary Caarapó. Thus, the shares in the capital of Paraguaçu now belongs to Raízen Energia and its subsidiary Raízen Araraquara Açúcar e Álcool Ltda., in the proportion to their respective holdings.

Such restructuring has not affected combined consolidated and condensed interim financial information.

#### **(ii) Corporate restructuring Fuels and Luxembourg**

On July 14, 2016, RCSA made a capital contribution in cash in the subsidiary Fuels for R\$ 3,751, equivalent to US\$ 1,161 thousand, recorded on equity under capital reserves caption.

On July 29, 2016 RESA paid in new capital increase in Fuels, giving the 100% of interest held in Luxembourg, in the amount of R\$ 4,555, equivalent to US\$ 1,419 thousand, being awarded the interest of 96.11% in the social capital of Fuels. As a result of the operation, RESA has control of Fuels and RCSA left the control and consolidate this entity.

Additionally, on September 15, 2016, RCSA sold to RESA the 45,000 shares, which represents 3.89% of the social capital of Fuels for R\$ 274. From that date, RESA holds all shares of that entity.

Such restructuring has not affected combined consolidated and condensed interim financial information.

## RAÍZEN Group

Notes to the consolidated combined and condensed interim financial information as of September 30, 2016  
In thousands of Reais - R\$, unless otherwise indicated

### 26. Cash flow supplementary information

	<u>Apr- Sep/ 2016</u>	<u>Apr- Sep/ 2015 (restated)</u>
Transaction investments:		
Capital to be paid-up (Note 10.b.i)	(79,224)	-
Depreciation and amortization of agricultural assets capitalized as property, plant and equipment (Note 11)	(23,152)	(27,108)
Interest capitalized in fixed assets (Notes 11 and 22)	(17,678)	(15,583)
Depreciation of agricultural assets capitalized as biological assets (Note 7)	(8,296)	(10,493)
Transfer of CTC shares as payment of debt	-	(8,250)
Exclusive rights to supply fuel payable	(2,157)	(3,216)
Reversal of provisions for removal of tanks and other	1,370	637
Repossession	-	2,094
Tax credits on fixed assets, including adjustment at present value of property, plant and equipment	3,495	5,829
	<u>(125,642)</u>	<u>(60,278)</u>
Financing transactions not involving cash		
Dividends and interest on own capital payable (Note 18.c)	<u>(2,176)</u>	<u>(455,078)</u>
	<u>(2,176)</u>	<u>(455,078)</u>

\* \* \*

# RAÍZEN Group

**Combined consolidated financial  
statements as of and for the year  
ended March 31, 2016 and  
independent auditors' report**



KPMG Auditores Independentes  
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## Independent auditors' report on the financial statements

To Directors and Shareholders  
Raízen Energia S.A. and Raízen Combustíveis S.A.  
São Paulo - SP

We have audited the accompanying combined consolidated financial statements of Raízen Energia S.A. and Raízen Combustíveis S.A. ("Raízen Group"), which comprise the balance sheet as of March 31, 2016, the statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, as well as a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined consolidated financial statements in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board - IASB, and for such internal control as management determines is necessary to enable the preparation of these 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 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 our 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, we consider internal control relevant to the Raízen Group'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 Raízen Group'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 taken as whole.

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 combined consolidated financial statements present fairly, in all material respects, the combined consolidated financial position of the Raízen Group as of March 31, 2016, and its combined consolidated financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board - IASB.

### **Emphasis of matter**

We draw attention to Note 2.1 (a) to the combined consolidated financial statement, which describes the basis of preparation and presentation of these combined consolidated financial statements. These combined consolidated financial statements does not necessarily represent the financial performance, financial position or related cash flows that would have been obtained if the Raízen Group had operated as a single legal entity during the period. The combined consolidated financial statements were prepared to present the financial performance and position and cash flows of the entities under indirect joint-control of Cosan Limited and Royal Dutch Shell and, therefore, may not be useful for others purposes. Our conclusion is unmodified in respect to this matter.

### **Other matters**

#### ***Audit of corresponding combined consolidated financial statements***

The combined consolidated balance sheet of the Raízen Group as of March 31, 2015 and the combined consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year ended March 31, 2015, were previously audited by other independent auditors who expressed an unmodified opinion on those financial statements on June 22, 2015.

São Paulo, May 27, 2016

KPMG Auditores Independentes  
CRC 2SP014428/O-6

Ulysses M. Duarte Magalhães  
Accountant CRC RJ-092095/O-8

## RAÍZEN Group

### Combined consolidated statements of financial position as of March 31 In thousands of Reais - R\$

	Note	2016	2015
Assets			
Current assets			
Cash and cash equivalents	3	4,372,631	4,028,230
Restricted cash	4	874,605	188,624
Derivative financial instruments	23	638,079	875,205
Trade accounts receivable	5	1,758,781	1,605,174
Inventories	6	1,677,331	1,433,947
Income and social contribution taxes recoverable	15.b	378,215	51,231
Recoverable taxes and contributions		428,959	325,138
Advances to suppliers		210,215	214,743
Other financial assets	7	10,028	12,931
Related parties	8	491,358	334,697
Assets held for sale	9.b	243,086	-
Other receivables		206,471	75,743
		<u>11,289,759</u>	<u>9,145,663</u>
Non-current assets			
Trade accounts receivable	5	305,586	298,254
Derivative financial instruments	23	597,653	315,279
Other financial assets	7	1,445,442	968,420
Income and social contribution taxes recoverable	15.b	560,920	508,360
Recoverable taxes and contributions		306,854	348,652
Related parties	8	713,635	916,066
Advances to suppliers		34,820	55,172
Deferred income and social contribution tax	15.d	233,018	326,178
Judicial deposits	16	293,465	276,795
Other receivables		84,659	54,540
Investments	9	210,425	469,563
Biological assets	10	2,463,488	1,959,859
Property, plant and equipment	11	9,411,748	9,496,877
Intangible assets	12	3,992,791	3,854,445
		<u>20,654,504</u>	<u>19,848,460</u>
Total assets		<u><u>31,944,263</u></u>	<u><u>28,994,123</u></u>

The notes are an integral part of these combined consolidated financial information.

## RAÍZEN Group

### Combined consolidated statements of financial position as of March 31

In thousands of Reais - R\$

(continued)

	Note	2016	2015
Liabilities			
Current liabilities			
Loans and financing	14	1,639,509	1,386,583
Derivative financial instruments	23	579,278	243,997
Suppliers	13	1,665,971	1,329,591
Salaries and wages payable		494,543	424,674
Income and social contribution taxes payable	15.c	116,943	21,733
Taxes payable		228,523	184,719
Dividends and interest on own capital payable	18.c	284,794	135,023
Related parties	8	860,980	262,269
Advances from clients		105,912	132,138
Other liabilities		480,622	349,179
		<u>6,457,075</u>	<u>4,469,906</u>
Non-current liabilities			
Loans and financing	14	11,213,217	10,532,010
Derivative financial instruments	23	325,944	56,231
Taxes payable		11,437	175,097
Related parties	8	1,240,405	932,431
Provision for legal disputes	16	761,616	775,031
Deferred income and social contribution tax	15.d	232,976	275,400
Other liabilities		376,707	398,093
		<u>14,162,302</u>	<u>13,144,293</u>
Total liabilities		<u>20,619,377</u>	<u>17,614,199</u>
Equity			
Attributed to controlling shareholders			
Share capital	18.a	8,256,042	8,117,972
Capital reserves	18.b	1,672,262	1,812,202
Equity valuation adjustment	18.d	(533,611)	14,663
Profit reserves	18.c & 18.e	1,760,620	1,282,926
		<u>11,155,313</u>	<u>11,227,763</u>
Non-controlling interests		<u>169,573</u>	<u>152,161</u>
Total equity		<u>11,324,886</u>	<u>11,379,924</u>
Total liabilities and equity		<u><u>31,944,263</u></u>	<u><u>28,994,123</u></u>

The notes are an integral part of these combined consolidated financial information.

## RAÍZEN Group

### Combined consolidated statements of income

Years ended March 31

In thousands of Reais - R\$

	Note	2016	2015
Net operating revenue	19	74,109,187	65,092,729
Cost of goods sold and services provided	20	<u>(67,815,344)</u>	<u>(60,487,102)</u>
Gross profit		<u>6,293,843</u>	<u>4,605,627</u>
Operating income (expenses)			
Selling	20	(1,814,897)	(1,675,793)
General and administrative expenses	20	(924,070)	(869,888)
Other operating income, net	21	398,472	470,153
Equity income of subsidiaries and associated companies	9	<u>(65,891)</u>	<u>(20,242)</u>
		<u>(2,406,386)</u>	<u>(2,095,770)</u>
Income before financial results, income tax and social contribution		<u>3,887,457</u>	<u>2,509,857</u>
Financial results			
Financial expenses	22	(968,872)	(717,961)
Financial income	22	731,821	492,377
Net exchange variation	22	(373,960)	(1,319,651)
Net effect of the derivatives	22	<u>171,435</u>	<u>720,082</u>
		<u>(439,576)</u>	<u>(825,153)</u>
Income before income tax and social contribution		<u>3,447,881</u>	<u>1,684,704</u>
Income tax and social contribution	15.a		
Current		(658,545)	(384,424)
Deferred		<u>(411,369)</u>	<u>51,292</u>
		<u>(1,069,914)</u>	<u>(333,132)</u>
Net income for the year		<u>2,377,967</u>	<u>1,351,572</u>
Attributable to:			
Group's controlling shareholders		2,341,778	1,313,293
Group's non-controlling shareholders		<u>36,189</u>	<u>38,279</u>
		<u>2,377,967</u>	<u>1,351,572</u>

The notes are an integral part of these combined consolidated financial information.

## RAÍZEN Group

### Combined consolidated statements of other comprehensive income

Years ended March 31

In thousands of Reais - R\$

	<u>2016</u>	<u>2015</u>
Net income for the year	2,377,967	1,351,572
Comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial gain (loss), net (1)	705	(14,041)
Deferred taxes on actuarial gains/losses (Note 15.e)	(241)	4,719
	<u>464</u>	<u>(9,322)</u>
Items that are or may be reclassified to profit or loss		
Net gain (loss) on financial instruments designated as hedge accounting (Note 23.e)	(831,530)	51,965
Effect of foreign currency translation - CTA	57	535
Deferred taxes on adjustments (Note 15.e)	282,735	(17,681)
	<u>(548,738)</u>	<u>34,819</u>
Other components of the comprehensive income for the year	<u>(548,274)</u>	<u>25,497</u>
Total of other comprehensive income for the year	<u>1,829,693</u>	<u>1,377,069</u>
Attributable to:		
Group's controlling shareholders	1,793,504	1,338,800
Group's non-controlling shareholders	36,189	38,269
	<u>1,829,693</u>	<u>1,377,069</u>

(1) At March 31, 2015, it included a balance of actuarial liabilities totaling R\$ 158, accounted for in the thermal power plants (UTES) directly or indirectly controlled by RESA, for which deferred taxes are calculated due to the fact that these companies are taxed under the presumed profit method.

The notes are an integral part of these combined consolidated financial information.

## RAÍZEN Group

### Combined consolidated statements of changes in equity Years ended March 31 In thousands of Reais - R\$

	Capital reserves					Profit reserves			Attribu
	Share capital	Capital reserve	Special Law No. 8.200/91	Goodwill special reserve	Equity valuation adjustment	Tax incentives	Legal	Profit retention	
March 31, 2015	8,117,972	1,564,831	4,260	243,111	14,663	30,256	247,208	1,005,462	
Comprehensive income for the year									
Net income for the year	-	-	-	-	-	-	-	-	
Actuarial gain, net	-	-	-	-	464	-	-	-	
Net loss with financial instruments designated as hedge accounting	-	-	-	-	(548,795)	-	-	-	
Effect of foreign currency translation - CTA	-	-	-	-	57	-	-	-	
Total comprehensive income for the year	-	-	-	-	(548,274)	-	-	-	
Contributions from (distributions to) Group's shareholders									
Formation of tax incentive reserve of subsidiaries (Note 18.e.iii)	-	-	-	-	-	139,885	-	-	
Redemption of preferred shares (Note 18.c)	138,070	(138,070)	-	-	-	-	-	-	
Capitalization of dividends to holders of preferred shares (Notes 18.a and 18.e)	-	-	-	-	-	-	-	-	
Payment of dividends and interest on own capital (Notes 18.b and 18.e)	-	-	-	-	-	-	-	(727,160)	
Reversal of minimum mandatory dividends	-	-	-	-	-	-	-	-	
Partial realization of reserve	-	-	(1,456)	-	-	-	-	-	
Formation of profit reserves and others	-	(414)	-	-	-	-	59,282	1,005,687	
Initial recognition of non-controlling interest	-	-	-	-	-	-	-	-	
Total contributions from (distributions to) Group's shareholders	138,070	(138,484)	(1,456)	-	-	139,885	59,282	278,527	
March 31, 2016	8,256,042	1,426,347	2,804	243,111	(533,611)	170,141	306,490	1,283,989	

As described on Note 2.1.a combined consolidated companies do not operate as a single legal entity.

The notes are an integral part of these combined consolidated financial information.

## RAÍZEN Group

### Combined consolidated statements of changes in equity

Years ended March 31

In thousands of Reais - R\$

Continued

	Capital reserves					Profit reserves			Attribu
	Share capital	Capital reserve	Special Law No. 8.200/91	Goodwill special reserve	Equity valuation adjustment	Tax incentives	Legal	Profit retention	
March 31, 2014	7,821,406	1,726,692	7,813	241,107	(10,844)	30,256	181,545	873,015	
Comprehensive income for the year									
Net income for the year	-	-	-	-	-	-	-	-	
Actuarial loss, net	-	-	-	-	(9,312)	-	-	-	
Net gain on financial instruments designated as hedge accounting	-	-	-	-	34,284	-	-	-	
Effect of foreign currency translation - CTA	-	-	-	-	535	-	-	-	
Total comprehensive income for the year	-	-	-	-	25,507	-	-	-	
Contributions from (distributions to) Group's shareholders									
Capital increase	-	-	-	-	-	-	-	-	
Effect of downstream merger	-	-	-	2,004	-	-	-	-	
Capitalization of dividends to holders of preferred shares	296,566	(164,377)	-	-	-	-	-	(50,714)	
Payment of dividends	-	-	-	-	-	-	-	(246,682)	
Effect of operations in associated companies	-	992	-	-	-	-	-	-	
Partial realization of reserve	-	-	(3,553)	-	-	-	-	-	
Formation of reserves	-	1,524	-	-	-	-	65,663	429,843	
Total contributions from (distributions to) Group's shareholders	296,566	(161,861)	(3,553)	2,004	-	-	65,663	132,447	
March 31, 2015	8,117,972	1,564,831	4,260	243,111	14,663	30,256	247,208	1,005,462	

As described on Note 2.1.a, combined consolidated companies do not operate as a single legal entity.

The notes are an integral part of these combined consolidated financial information.

# RAÍZEN Group

## Combined consolidated statements of cash flows

Years ended March 31

In thousands of Reals - R\$

	<b>2016</b>	<b>2015</b>
Cash flow from operating activities		
Income before income and social contribution taxes	3,447,881	1,684,704
Adjustments:		
Depreciation and amortization (Notes 19 and 20.a)	2,410,149	2,381,165
Change in fair value of biological assets (Note 20.a)	(637,936)	32,697
Equity in net income of associated companies (Note 9)	65,891	20,242
Gain on disposal of property, plant and equipment (Note 21)	(70,981)	(132,824)
Capital gain on dilution of ownership interest in associated company (Notes 9.b and 21)	(15,583)	(30,333)
Formation of allowance for doubtful accounts, net	37,592	5,530
Income from investment grants (Notes 20, 11 and 21)	(40,646)	(59,557)
Formation of provision for legal disputes, net	12,561	10,969
Interest, monetary and exchange variations, net	1,105,403	1,985,296
Change in fair value of financial instruments (Notes 14, 22 and 23)	(49,556)	-
Amortization of prepaid revenues	(46,740)	(49,115)
Amortization of expenses paid in advance	63,822	57,864
Unrealized gain on derivative transactions	(711,899)	(413,449)
Gain on fair value of shares (Note 21)	-	(40,366)
Provision (reversal) for losses in property, plant and equipment and intangible assets, net (Notes 11 and 12)	(1,869)	63,738
Other	(71,197)	19,472
Changes in assets and liabilities		
Trade accounts receivable and advances from clients	(46,957)	123,128
Inventories	(180,481)	16,139
Restricted cash	(651,056)	116,714
Derivative financial instruments	419,131	(18,377)
Other financial assets	-	48,910
Related parties, commercial operations	81,899	(19,267)
Suppliers and advances to suppliers	177,061	(130,480)
Taxes and contributions, net	(180,500)	(294,912)
Salaries and wages payable	49,301	44,306
Judicial deposits	(49,699)	(28,051)
Other assets and liabilities, net	43,672	(64,832)
Income and social contribution taxes on net income - paid	(303,043)	(256,749)
Net cash generated from operating activities	<u>4,856,220</u>	<u>5,072,562</u>
Cash flow from investing activities		
Acquisition of new businesses, net of cash acquired (Note 26)	-	(177,744)
Additions to investments (Note 9.b)	(48,513)	(58,964)
Additions to property, plant and equipment and intangible assets (Notes 11 and 12)	(1,720,201)	(2,122,489)
Cash received upon disposal of fixed assets	152,064	221,122
Dividends received from affiliates	3,242	13,880
Additions to biological assets (planting and crop treatment) (Note 10)	(701,680)	(851,411)
Net cash used in investing activities	<u>(2,315,088)</u>	<u>(2,975,606)</u>
Cash flow from financing activities		
Loans and financing	2,951,102	6,087,282
Issue of debentures, net of funding costs	-	-
Amortization of principal of loans and financing	(2,701,957)	(4,727,142)
Interest paid on loans and financing	(732,085)	(540,670)
Financial investments linked to financing (Restricted cash)	(9,527)	22,046
Dividends and interest on own capital paid	(1,701,132)	(1,257,490)
Other	19	9,627
Net cash used in financing activities	<u>(2,193,580)</u>	<u>(406,347)</u>
Increase in cash and cash equivalents, net	347,552	1,690,609
Cash and cash equivalents at the beginning of the year (Note 3)	4,028,230	2,337,621
Effect of exchange variation on cash and cash equivalents	(3,151)	-
Cash and cash equivalents at the end of the year (Note 3)	<u><u>4,372,631</u></u>	<u><u>4,028,230</u></u>

The notes are an integral part of these combined consolidated financial information.

## **RAÍZEN Group**

**Notes to the combined consolidated  
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(In thousands of Reais - R\$, unless otherwise stated)

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### **1. Operations**

#### **1.1. RAÍZEN Group**

RAÍZEN Group (“Group”) is basically engaged in the following activities and comprises the following companies:

##### **(a) Raízen Energia S.A. and subsidiaries (“Raízen Energia” or “RESA”):**

RESA is a publicly held corporation, registered with the CVM (Securities Commission), category B, headquartered in the city and state of São Paulo, Brazil. RESA was organized on June 1, 2011 and is indirectly and jointly controlled by Royal Dutch Shell (“Shell”) and Cosan Limited (“Cosan”).

RESA engages in producing and marketing sugar and ethanol, and the trading, both domestically and abroad through its subsidiaries Raízen Trading LLP and Raízen International Universal Corporation, and co-generating energy produced from bagasse at its 24 plants located in Brazil's Center-Southern Region.

Sugarcane farming requires a period ranging from 12 to 18 months for maturing and usually harvesting and starts between the months of April and May every year, and usually ends between November and December, period in which sugar, ethanol and energy are also produced. Production is sold during the whole year and does not fluctuate over the seasons, but is affected by normal market supply and demand fluctuations. Because of RESA's production cycle, its fiscal year and the fiscal year of Raízen Combustíveis S.A. and therefore of RAÍZEN Group starts on April 1 and ends on March 31.

##### **(b) Raízen Combustíveis S.A. and its subsidiaries (“Raízen Combustíveis” or “RCSA”):**

RCSA is a closely-held corporation and is headquartered in the city and state of Rio de Janeiro, Brazil. RCSA is indirectly jointly-controlled by Shell and Cosan.

RCSA is engaged in: (i) distributing and marketing oil and ethanol by-products, and other fluid hydrocarbons and their by-products under Shell brand; (ii) marketing natural gas and operating as commercial representative for the sale of lubricants at gas stations; (iii) purchasing and selling products and merchandise at convenience stores; (iv) importing and exporting the products previously mentioned and; (v) holding ownership interest in other companies.

## RAÍZEN Group

Notes to the combined consolidated  
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### (c) Capital transactions with shareholders and transfer of debts between RESA and RCSA

At the Board of Directors' Meeting held on August 31, 2015, the Group entities' directors approved the execution of Private Agreements for Assumption of Debts and Other Covenants, under which RCSA assumed liabilities arising from export prepayment contracts ("PPEs") and linked swap contracts of RESA, and in return will receive a consideration from the latter equivalent to the amount of the debt, as presented below:

RESA's contracts assumed by RCSA	Currency	RESA's debt assumed by RCSA	Consideration paid by RESA to RCSA	Amount (in R\$)
PPE	US\$	75,967	75,967	277,258
PPE	US\$	90,617	90,617	330,724
PPE	US\$	91,376	91,376	333,494
PPE	US\$	92,040	92,040	335,919
		<u>350,000</u>	<u>350,000</u>	<u>1,277,395</u>
PPE	€	40,000	40,000	163,916
PPE	€	66,000	66,000	270,461
		<u>106,000</u>	<u>106,000</u>	<u>434,377</u>
				<u><u>1,711,772</u></u>

In a Special Shareholders' Meeting held on August 31, 2015, shareholders Shell and Cosan decided and approved redemption of 1,641,750,012 common shares as an RCSA share capital decrease in the amount of R\$ 1,500,000. This redemption of common shares and share capital decrease were made in proportion to interest held by shareholders, corresponding to 50% of each one's common shares.

Additionally, at the Special Shareholders' Meeting Shell and Cosan's shareholders decided and approved RESA's capital increase of R\$ 1,500,000 in domestic currency through issuance of 1,340,687,564 new nominative common shares, carried out proportionately to 50% interest held by shareholders. Liquidation occurred through the RCSA's share capital decrease in the same amount of RESA's capital increase.

### (d) Other information

The synergy between RESA and RCSA makes RAÍZEN Group to be currently positioned in a special place in the Brazilian market. The two companies work in a complementary manner, and therefore, reporting their combined businesses is a key tool to allow the market to evaluate the Group as a whole.

Although they are not set up as a group pursuant to article 265 of Brazilian Corporate Law ("LSA"), the RAÍZEN Group discloses combined consolidated financial statements to provide information that best reflects their gross cash flows from operating activities.

The RAÍZEN Group's combined consolidated financial statements are being presented exclusively to provide information about all the RAÍZEN Group's activities in a single set of financial statements, regardless of the Group's corporate structure, which however are under shared common control.

## **RAÍZEN Group**

### **Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)**

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During year ended March 31, 2016 and 2015, the Group were subject to the following corporate reorganizations: (i) merger of Sampras Participações Ltda (“Sampras”); (ii) capital increase at Saturno Investimentos Imobiliários Ltda. (“Saturno”); (iii) capital increase at Bioenergia Jataí Ltda (“Bio Jataí”); (iv) acquisition of Latina Distribuidora de Petróleo Ltda. (“Latina”); (v) acquisition of Cerrado Açúcar Alcool S.A. (“Cerrado”); (vi) corporate restructuring involving net assets relating to the electricity cogeneration activity; (vii) corporate reorganization involving net assets related to real estate investment activity; and (viii) corporate restructuring relating to the downstream merger of Curupay Agroenergia Ltda. (“Curupay”) by TEAS - Terminal Exportador de Alcool de Santos Ltda. Details of these transactions are described in Note 26.

## **2. Significant accounting policies**

### **2.1 Basis of preparation**

The consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, as well as the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The issuance of the combined consolidated financial statements of RAÍZEN Group was authorized by the Management on May 27, 2016.

#### **a) Combination criteria**

These combined consolidated financial statements include the accounts of the following companies:

- Raízen Energia S.A. and its subsidiaries
- Raízen Combustíveis S.A. and its subsidiaries

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the combined consolidated financial information.

The combined consolidated companies do not operate as a single legal entity, and therefore the combined consolidated financial information are not necessarily indicative of the results reported or future results that would be reported by those companies if they were operating as a single legal entity. Therefore, the combined consolidated financial statements should not be relied upon to calculate dividends, taxes or for any other corporate or statutory purposes.

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

The assets and shareholders' equity as of March 31, 2016 and 2015, as well as income (loss) and other comprehensive income of the companies that comprise the combined consolidated financial statements and the respective combined consolidated balances, after the elimination of intragroup transactions, are as follows:

	Total assets		Total Shareholders' equity	
	2016	2015	2016	2015
Raízen Energia S.A. and its subsidiaries	22,783,373	21,746,337	8,555,233	6,775,209
Raízen Combustíveis S.A. and its subsidiaries	10,766,366	10,492,669	2,777,806	4,604,715
	33,549,739	32,239,006	11,333,039	11,379,924
Elimination of balances receivable from commercial transactions	(1,605,476)	(3,244,883)	(8,153)	-
Combined consolidated balances	31,944,263	28,994,123	11,324,886	11,379,924

	Net income for the year	
	2016	2015
Raízen Energia S.A. and its subsidiaries	1,185,644	110,999
Raízen Combustíveis S.A. and its subsidiaries	1,200,476	1,240,573
Elimination of commercial transactions, unrealized profits and financial operations	(8,153)	-
Combined consolidated incomes	2,377,967	1,351,572
	Other comprehensive income	
	2016	2015
Raízen Energia S.A. and its subsidiaries	676,400	136,916
Raízen Combustíveis S.A. and its subsidiaries	1,161,446	1,240,153
Elimination of commercial transactions, unrealized profits and financial operations	(8,153)	-
Combined consolidated incomes	1,829,693	1,377,069

The combined consolidated financial statements are a single set of combined consolidated financial statements of two or more entities that are jointly controlled. RESA and RCSA used the definition of control in conformity with the CPC 36 - *Demonstrações consolidadas* and IFRS 10, with respect to both the existence of joint control and also to the consolidation.

## **RAÍZEN Group**

**Notes to the combined consolidated  
financial information as of March 31, 2016**  
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### **b) Measuring basis**

The combined consolidated financial statements were prepared using historical cost as the value base, except, when applicable, for the valuation of some assets and liabilities such as derivative and non-derivative financial instruments, agricultural products and biological assets, which are measured at fair value.

### **c) Functional currency and presentation currency**

These combined consolidated financial statements are being presented in Reais, functional currency of the Group. All balances have been rounded to the nearest value, except otherwise indicated. The financial statements of each subsidiary included in the consolidation and combination, as well as those utilized as a basis to account for investments under the equity method, are prepared based on the functional currency of each company. For the subsidiaries located abroad, the assets and liabilities have been translated into Reais based on the foreign exchange rate in effect at the reporting date and to the income statement was determined by the average monthly rate during the year. Translation effects are recognized in equity.

### **d) Significant judgments, estimates and assumptions**

The preparation of combined consolidated financial statements requires Management to make judgments and estimates and make assumptions that affect the amounts presented for revenues, expenses, assets and liabilities on the reporting date of the financial statements.

These estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Should there be a significant change in the facts and circumstances on which the estimates and assumptions made are based, there may be a material impact on the Group's results and financial position.

The main significant accounting estimates and assumptions are set out below:

#### **Income tax, social contribution and other taxes payable**

The Group is subject to income tax and social contribution in all countries in which it operates. Significant judgment is required to determine the provision for income taxes in these various countries.

In many operations, the final determination of the tax is uncertain. The Group also recognizes provisions to cover certain situations in which it is probable that additional tax amounts will be owed. When final result of such issues differs from initially estimated and recorded amounts, these differences affect current and deferred tax liabilities in the period in which definitive value is determined.

## **RAÍZEN Group**

**Notes to the combined consolidated  
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### Investment grants - Value-added Tax on Sales and Services (ICMS)

The Group, through RESA's subsidiaries Raízen Centroeste and Raízen Caarapó, joined a tax incentive program to finance a portion of the ICMS due. The use of this investment grant by the Group is conditioned on compliance with all the obligations established under the program, which are controlled by the Group.

The income from these incentives is recorded in the statement of income for the year, as disclosed in Notes 20.a and 21.

### **Deferred income and social contribution tax**

Deferred income tax and social contribution assets are recognized for all tax loss carryforwards not utilized to the extent that it is probable that there will be future taxable income to allow their use in the future. Substantial judgment from Management is required to determine the amount of the deferred income tax and social contribution assets that can be recognized, based on the reasonable term and amount of future taxable income, along with future tax rationalization.

Deferred income tax assets and liabilities are presented at their net value in the statement of financial position only when there is the legal right and the intention of offsetting them upon calculation of current taxes, related to the same legal entity and the same tax authority. For further details on deferred taxes, see Note 15.

### **Biological assets and agricultural products**

Biological assets are measured at fair value at the point of harvest, and the effects of changes in fair value between the periods are recognized directly in the cost of products sold. For further information on the assumptions used, see Note 10.

The fair value of agricultural produce is calculated at each reporting date, through an analysis of the average production cost of the sugarcane harvested in relation to its market value.

### **Property, plant and equipment and intangible assets, including goodwill**

The accounting treatment given to property, plant and equipment and intangible assets includes estimates to determine the useful life for depreciation and amortization purposes, in addition to the fair value at acquisition date of the assets acquired through business combinations.

Currently, the Group performs impairment tests on the assets with an indefinite useful life, especially goodwill supported by future profitability.

The determination of the recoverable amount of the cash-generating unit to which the goodwill was allocated also includes the use of estimates and assumptions and requires a significant degree of Management's judgment.

## **RAÍZEN Group**

**Notes to the combined consolidated  
financial information as of March 31, 2016**  
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### **Provision for tax, civil, environmental and labor contingencies**

The Group constitutes a provision for tax, civil, environmental and labor contingencies. Determination of the likelihood of loss includes determination of available evidence, hierarchy of laws, jurisprudence available, more recent court decisions and relevance thereof in legal system, as well as evaluation of internal and external attorneys. Such provisions are reviewed and adjusted to take into account changes in circumstances, such as statute of limitations applicable, tax inspection conclusions or additional exposures identified based on new matters or court decisions.

### **Provision for removal of storage tanks**

Future costs with removal of fuel storage tanks are estimated and recorded as part of the costs of these assets, with a corresponding entry to the provision that supports such costs. These costs are presented as property, plant and equipment, with a corresponding entry to non-current or current liabilities. The estimates for these costs are recorded at the present value of these obligations, discounted at a risk-free interest rate.

### **Fair value of financial instruments**

When the fair value of the financial assets and liabilities presented in the statement of financial position cannot be obtained from active markets, it is determined by using valuation techniques, including the discounted cash flow method. The data for these methods are based on those adopted by the market, when possible. However, when such data is not available, a certain level of judgment is required to establish the fair value. Judgment includes considerations on the data utilized, such as liquidity risk, credit risk and volatility. Changes in the assumptions related to these factors can affect the fair value presented for the financial instruments. For more details on financial instruments, see Note 23.

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

#### 2.2 Basis of combined consolidated

The combined consolidated financial statements include information on RESA and its subsidiaries, and RCSA and its subsidiaries, for the periods ended March 31, 2016 and 2015. The direct and indirect subsidiaries of RCSA and RESA are listed below:

Subsidiaries of RESA	Direct and indirect ownership interests	
	2016	2015
Agrícola Ponte Alta Ltda.	100%	100%
Agropecuária Santa Hermínia Ltda.	100%	100%
América Trading Investments	100%	100%
Benálcool Açúcar e Álcool Ltda.	100%	100%
Bioenergia Araraquara Ltda.	100%	100%
Bioenergia Barra Ltda.	100%	100%
Bioenergia Caarapó Ltda.	100%	100%
Bioenergia Costa Pinto Ltda.	100%	100%
Bioenergia Gasa Ltda.	100%	100%
Bioenergia Jataí Ltda.	100%	100%
Bioenergia Maracai Ltda.	100%	100%
Bioenergia Rafard Ltda.	100%	100%
Bioenergia Serra Ltda.	100%	100%
Bioenergia Tarumã Ltda.	100%	100%
Bioenergia Univalem Ltda.	100%	100%
Raízen Açúcar Ltda. (i)	100%	100%
Raízen Araraquara Açúcar e Álcool Ltda.	100%	100%
Raízen Ásia PT Ltd.	100%	100%
Raízen Biotecnologia S.A.	100%	100%
Raízen Caarapó Açúcar e Álcool Ltda.	100%	100%
Raízen Centroeste Açúcar e Álcool Ltda.	100%	100%
Raízen Energy Finance Ltd.	100%	100%
Raízen International Universal Corp.	100%	100%
Raízen Luxembourg S.A. (formerly named Raízen Cayman Ltd.)	100%	100%
Raízen North América, Inc.	100%	100%
Raízen Paraguaçu Ltda.	100%	100%
Raízen Tarumã Ltda.	100%	100%
Raízen Trading LLP	100%	100%
TEAS Terminal Exportador de Álcool de Santos Ltda.	100%	100%
Unimodal Ltda.	73.41%	73.41%

(i) Newly-created company in March 7, 2016 with the main objective of trading sugar.

Subsidiaries of RCSA	Direct and indirect ownership interests	
	2016	2015
Blueway Trading Importação e Exportação Ltda.	100%	100%
Petróleo Sabbá S.A.	80%	80%
Raízen Fuels Finance Limited.	100%	100%
Raízen Mime Combustíveis S.A.	76%	76%
Sabor Raiz Alimentação S.A. (“Sabor Raiz”)	60%	60%
Sampras Participações Ltda. (Note 26)	-	100%
Saturno Investimentos Imobiliários Ltda. (Note 26)	100%	100%

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

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The subsidiaries are fully consolidated from the date of control on acquisition, and continue to be consolidated up to the date when control no longer exists. The financial statements of the subsidiaries are prepared for the same reporting period as the Group, and utilizing accounting policies consistent with the policies adopted by the Group.

All balances maintained between combined consolidated companies, revenues and expenses, unrealized gains and losses, arising from transactions between companies are eliminated as a whole.

A change in the ownership interest in a subsidiary which does not result in loss of control is accounted for as a transaction between shareholders in equity.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is equal to the fair value of the assets transferred, liabilities incurred and equity instruments issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are recorded in the statement of income as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Non-controlling interests to be recognized are determined for each acquisition carried out.

The excess of the consideration transferred plus the acquisition-date fair value of any previous ownership interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. For acquisitions in which the Group attributes fair value to non-controlling interests, the determination of goodwill also includes the value of any non-controlling interest in the acquiree, and the goodwill is determined considering the Group's and non-controlling interests. When the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the statement of income for the year.

### 2.3 Description of significant accounting policies

The accounting policies described below have been consistently applied to all the years presented in these combined consolidated financial statements.

#### a) Revenue recognition

Revenues from sales of products or goods, including sales in the foreign market made by RESA's subsidiaries, Raízen Trading LLP and Raízen International Universal Corporation, are recognized when the entity transfers to the buyer the significant risks and rewards of ownership of the products and goods, and when it is probable that future economic benefits will be received by companies of the Group. Selling prices are established based on purchase orders or contracts.

Goods or services whose revenue is deferred are recognized within Other obligations and accounted for as revenues upon delivery of the goods or provision of the services.

## **RAÍZEN Group**

### **Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)**

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The revenue from the sale of the electric power co-generated is recorded based on the assured energy and the tariffs specified in the supply agreement, or the current market price, according to each case. The electric power produced and sold through auctions is initially recognized as prepaid income, and is only recognized in the statement of income for the year when it is available to be used by the clients.

Revenue from leases and storage comprises leases of gas stations and storage of fuel and similar products in the RCSA terminals, and is recognized as the services are rendered, under Other operating income, net (Note 21).

Revenue is presented net of taxes (Excise Tax (“IPI”), Value-added Tax on Sales and Services (“ICMS”), Social Integration Program (“PIS”), Social Contribution on Revenues (“COFINS”), Economic Domain Intervention Contribution (“CIDE”), National Institute of Social Security (“INSS”) and others), returns, rebates and discounts, amortization referring to exclusive supply rights, as well as of sales between Group companies.

#### **b) Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are remeasured.

Monetary assets and liabilities denominated in a foreign currency are converted into Reais using the foreign exchange rates prevailing at the reporting date, and foreign exchange gains and losses arising from the settlement of these transactions and the translation at year-end exchange rates are recognized in the statement of income within Finance results, unless they qualify as hedge accounting, in which case they are recognized in comprehensive income.

Non-monetary items that are measured at their historical cost in a foreign currency are translated using the translation rate of the transaction start date. Non-monetary assets that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

#### **c) Financial instruments - Initial recognition and subsequent measurement**

##### **(i) Financial assets**

##### **Initial recognition and measurement**

The Company’s financial assets are classified in the following categories: at fair value through profit or loss and loans and receivables. The Group classifies its financial assets upon initial recognition.

Financial assets are initially recognized at fair value plus, in the case of investments not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The Group's financial assets are presented in Note 23.

## **RAÍZEN Group**

**Notes to the combined consolidated  
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### **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 includes financial assets held for trading and assets designated in the initial recognition, as measured at fair value through profit or loss. They are classified as held-for-trading if they are originated with the purpose of being sold or repurchased in the short term. Derivatives are also measured at fair value through profit or loss, except for those designated as hedging instruments, which are maintained in equity and subsequently recognized in the statement of income, as described in item (v) below. Interest, monetary restatement and foreign exchange variation and variations arising from measurement at fair value in income when incurred, under Financial results.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments and usually not quoted in an active market. After the initial measurement, these financial assets are accounted for at amortized cost using the effective interest rate method (effective interest rate), less impairment loss, when applicable. Amortized cost is calculated taking into account any discount or "premium" in the acquisition and fees or costs incurred. The amortization of the effective interest rate method is included under Financial results in the statement of income.

#### **Derecognition (write-off)**

A financial asset is written off when: (i) the rights to receive cash flows from the asset expire, and, (ii) the Group transfers its rights to receive cash flows from the asset or assumes an obligation to pay the cash flows received in full without material delay to a third party under a 'pass-through' arrangement; and (a) the Group transfers substantially all risks and rewards of the assets, or (b) the Group neither transfers nor retains substantially all the risks and rewards related to the asset, but transfers the control over the asset.

#### **Impairment of financial assets**

The Group assesses, at the reporting dates, whether there is any evidence that determines that an asset or group of financial assets is impaired. The Company assesses, at the reporting dates, whether there is any evidence that determines that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is considered impaired if, and 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 (known as 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 and can be reliably estimated.

## **RAÍZEN Group**

### **Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)**

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The criteria used by the Group to determine whether there is objective evidence of an impairment loss include: (i) issuer or debtor's relevant financial difficulties; (ii) a breach of contract, such as a default or delay on payment of interest or the principal; (iii) the Group, due to economic or legal reasons relating to the financial difficulty of the borrower, assures the borrower a concession that the creditor would not consider; (iv) it is likely that the borrower will declare bankruptcy or other financial reorganization; (v) the disappearance of an active market for that financial asset due to the financial difficulties; or (vi) observable data indicating a measurable reduction in estimated future cash flows from a financial asset portfolio since the initial recognition of the assets, even if the decrease cannot yet be identified with the individual financial assets in the portfolio, including: (a) national or local economic conditions correlating with adverse changes in the payment situation of the portfolio's loan; and, (b) national or local economic conditions correlating with defaults on the portfolio's assets.

If, in a subsequent period, the value of the impairment loss decreases and the decrease is objectively be related to an event occurred after the impairment is recognized (such as, an improvement in the debtor's credit classification) the reversal of the previously recognized impairment loss will be recognized in the statement of income in the period that the event occurs.

#### **(ii) Financial liabilities**

##### **Initial recognition and measurement**

Financial liabilities are classified as financial liabilities at fair value through profit or loss, at amortized cost, or as derivatives classified as an effective hedge instrument, as the case may be. The Group classifies its financial liabilities upon initial recognition.

Financial liabilities are initially recognized at fair value, and in the case of loans and financings, include directly related transaction costs.

The Group's financial liabilities are presented in Note 23.

##### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, which can be as follows:

##### **Financial liabilities at fair value through profit or loss**

They include financial liabilities usually traded before maturity, liabilities designated in the initial recognition at fair value by means of the result and derivatives, except for those designated as hedge instruments. Interest, monetary and foreign exchange variation and variations arising from measurement at fair value, when applicable, are recognized in income when incurred.

## **RAÍZEN Group**

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### **Amortized cost**

After initial recognition, loans and financing subject to interest are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement upon settlement of liabilities, as well as during the amortization process by the effective interest rate method.

### **Derecognition (write-off)**

A financial liability is derecognized when the obligation under the liability is revoked, canceled or expired.

#### **(iii) Offset of financial instruments - net presentation**

Assets and liabilities are presented net in the statement of financial position if, and only if, there is a current legal and enforceable right to offset the recognized amounts and if the intention of offsetting, or realizing the asset and settling the liability simultaneously.

#### **(iv) Fair value of financial instruments**

The fair value of financial instruments actively traded in organized financial markets is determined based on quoted market prices at the close of business at the reporting date, without deduction of transaction costs.

The fair value of financial instruments for which there is no active market is determined using valuation techniques. These techniques may include the use of recent market transactions (on an arm's length basis); by reference to the current fair value of another similar instrument; discounted cash flow analysis or other valuation models.

An analysis of the fair value of financial instruments and more details on how they are calculated are provided in Note 23.

#### **(v) Derivative financial instruments and hedge accounting**

### **Initial recognition and subsequent measurement**

The Group uses derivative financial instruments, such as non-deliverable forwards, commodity forward contracts and interest rate swaps to provide protection against the risk of variation in the foreign exchange rates, the risk of variation in the prices of commodities and the risk of variation in interest rates, respectively. The derivative financial instruments designated in hedging operations are initially recognized at fair value on the date on which the derivative is obtained, and are subsequently restated also at fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive; and as financial liabilities when the fair value is negative.

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

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Any gains or losses resulting from changes in the fair value of derivatives during the year are recognized directly in the statement of income, with the exception of the effective portion of the hedge designated as hedge accounting, which is recognized in other comprehensive income.

For hedge accounting purposes, there are the following classifications:

- fair value hedge, in providing protection against exposure to changes in the fair value of recognized asset or liability or of unrecognized firm commitments, or of identified part of such asset, liability or firm commitment, which is attributable to a particular risk and may affect the result;
- cash flow hedge, in providing protection against the variation in the cash flows that is attributable to a particular risk associated with a recognized asset or liability or with a highly probable forecast transaction that might affect the result; or
- hedge of a net investment in a foreign operating unit.

In the initial recognition of a hedge relationship, the Group formerly classifies and documents the hedge relationship to which they wish to apply hedge accounting, as well the objective and the risk management strategy of company management to put the hedge into effect.

The documentation includes: (i) the identification of hedge instrument, (ii) the hedged item or transaction, (iii) the nature of the risk to be hedged, (iv) the prospective demonstration of the efficacy of the hedge relationship and (v) the way in which the Group intends to assess the efficacy of the hedge instrument for purposes of offsetting the exposure to changes in the fair value of the hedged item or cash flows related to the hedged risk. As regards to a cash flow hedge, the demonstration of the high probability of the forecast transaction to be hedged, as well as the forecast periods of transfer of the gains or losses resulting from the hedge instruments from equity to income statement, are also included in the documentation of the hedge relationship.

These hedges are expected to be highly effective to offset changes in the fair value or cash flows. They will be permanently evaluated to verify whether they were indeed highly effective over the course of all the base periods for which they were intended.

Hedges that fulfill the criteria for their hedge accounting are recorded as follows:

#### **Fair value hedge and fair value option of certain financial liabilities of RCSA**

As mentioned in Note 1.c, on August 31, 2015, RCSA, by means of debt assumption agreements, agreed to assume a debt of RESA arising from export prepayment contracts (PPEs), totaling R\$ 1,711,772, of the Term Loan Agreement and *Schuldschein* types, denominated in US dollars (“US\$”) and Euros (“€”).

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### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

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The exposures to US\$ and € fluctuations, referring to those contracts and PPEs, totaling R\$ 801,275 (equivalent to US\$ 219 million), are hedged by swaps to Reais, including new borrowings of the *Schuldschein* and PPEs types, amounting to R\$ 264,164 (equivalent to € 60,000 thousand) and R\$ 1,186,380 (equivalent to US\$ 300,000 thousand), respectively, obtained in the period ended March 31, 2016, causing the Group to be exposed to the CDI variation (from 95% to 112%). The changes in the fair value of derivatives entered into are accounted for under Financial results, within Net effect of derivatives.

The Group designated debts of the Term Loan Agreement, *Schuldschein* and PPEs types as liabilities measured at fair value through profit or loss, in order to eliminate, or at least significantly reduce, inconsistencies in measurement that would otherwise result in the recognition of gains or losses on the loans and derivatives on different bases. As a result, fluctuations of loans fair value are accounted for in caption Financial results, in line Fair value of liability financial instruments, classified in Financial expenses group.

#### **Cash flow hedge**

The effective portion of the gain or loss on the hedging instrument is initially recorded in other comprehensive income, while any ineffective portion is recognized directly in Financial results.

Amounts recognized in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged income or interest expense is recognized, or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized in equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognized in equity are transferred to the statement of income. 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 comprehensive income (loss) remains deferred in equity within Reserve for other comprehensive income (loss) until the forecast transaction or firm commitment affects profit or loss.

The types of financial instruments designated as hedge accounting are presented in Note 23.

#### **d) Inventories**

Inventories are valued at the average acquisition or production cost, not exceeding net realizable amount, except for agricultural produce in RESA, which is measured at fair value at the point of harvest. Cost of finished products and products in process include raw material, direct labor costs and other direct costs as well as respective direct production expenses (based on regular operating capacity) less loan costs. The net realizable value is the sales price estimated for the normal course of the businesses, less estimated completion execution costs and selling expenses.

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At the point of harvest, sugarcane is considered agricultural produce and measured at fair value, less costs to sell, which is determined based on the amount disclosed by the Council of Sugarcane, Sugar and Ethanol Producers of the State of São Paulo (CONSECANA). The fair value of harvested sugarcane is the cost of the raw material used in the production of sugar and ethanol.

The provisions for slow-moving or obsolete warehouse inventories are constituted when these inventories have not moved for a certain period and are not considered strategic by the Management.

#### **e) Advances to suppliers**

These refer substantially to advances to sugarcane suppliers, granted by the Group on the date of execution of sugarcane supply agreements, and the respective amendments to these agreements, which will be amortized as the sugarcane and petroleum and ethanol by-products are supplied. In accordance with the estimated sugarcane to be delivered by the supplier, the aforementioned balances will be substantially settled in the current crop season and over the next nine crop seasons.

#### **f) Investment in associated companies**

Investments in companies over which the Group has significant influence are accounted for under the equity method. They are initially recognized at in the statement of financial position at cost, plus any changes after the acquisition of the ownership interest.

The statement of income reflects the share in the results from operations of associated companies based on the equity accounting method. When a change is directly recognized in the shareholders' equity of the associated company, the Group will recognize its share in the variations occurred and will disclose that fact and, where applicable, in the statement of changes in the equity.

After applying the equity accounting method, the Group determines whether it is necessary to recognize additional impairment on the investment. The Group determines, at each reporting date, if there is objective evidence that the investment in the associated company suffered an impairment loss. If so, the Group calculates the amount of impairment loss as the difference between the recoverable amount of the associated company and the book value and recognizes the amount in the statement of income.

When there is loss of significant influence on the associated company, the Group evaluates and recognizes its investment at fair value.

Unrealized gains from transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associates. Non-realized losses are also eliminated, unless the transaction shall provide evidence of loss (impairment) of the asset transferred. The accounting policies of the associated companies are changed when required in order to assure the consistency with the policies adopted by the Group.

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### **g) Biological assets**

Biological assets refer to sugarcane crops.

Sugarcane crops are measured at fair value, excluding the land on which they are located, under the discounted cash flow method.

For sugarcane, the Group uses future cash flows in accordance with the productivity cycle projected for each harvest, taking into consideration the estimated useful life of each crop, the prices of total recoverable sugar, estimated productivities, estimated costs to be incurred with production, harvesting, loading and transportation per planted hectare.

Changes in fair values between periods are allocated to the cost of products sold.

Any land belonging to the Group where biological assets are produced is accounted for as property, plant and equipment.

### **h) Property, plant and equipment**

Property, plant and equipment items are stated at historical acquisition or construction cost less accumulated depreciation and impairment losses, when applicable.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by the Company includes materials and direct labor, as well as any other costs attributable to bringing the assets to the location and condition requires for them to operate in the manner intended by Management, and loan costs on qualified assets. Borrowing costs relating to funds raised for works in progress are capitalized until the projects are concluded.

RESA and its subsidiaries perform the main maintenance activities scheduled for their manufacturing units on an annual basis. This usually occurs between the months from January to March, with the objective of inspecting and replacing components.

The main annual maintenance costs include costs of labor, materials, outsourced services and overhead allocated during the off-season period. These costs are classified as frequent replacement parts and components, in property, plant and equipment, and are fully amortized in the following crop season.

The cost of an equipment item that must be replaced on an annual basis is accounted for as a component of the equipment costs and depreciated over the following crop. The costs of normal periodic maintenance are accounted for in expenses when incurred as the replaced components do not improve the production capacity of the asset or introduce refinements in the equipment.

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In RCSA, future costs to be incurred with removal of fuel storage tanks are estimated and recorded as part of the cost of property, plant and equipment, with a corresponding entry to the provision that supports such costs in liabilities (current and non-current).

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of any renewal to increase useful life should be activated and included in the asset's book value, if it is probable that future economic benefits following the renewal will exceed the performance standard initially assessed for the existing asset and that such benefits will accrue to the Group. The main renewal are depreciated over remaining useful lives of related assets.

Gains and losses from disposals are determined by the comparison of results with the book value and are recognized in the statement of income under Other operating income, net.

During the year ended on March 31, 2016, RCSA performed an assessment of useful lives applied to its property, plant and equipment, which indicated a need for changes in useful life and annual depreciation rates for its assets.

As this involves a change in bookkeeping estimates, the effects of such changes were recorded prospectively as of April 1, 2015. These changes represent an extension as well as a decrease in useful life terms, depending on the case, as compared with previous practices, giving rise to an increase of R\$ 13,738 in depreciation expenses for the year ended on March 31, 2016.

Lands are not depreciated. On March 31, 2016 and 2015 depreciation of such assets was calculated based on estimated useful life wear and tear for each asset. The annual weighted average depreciation rates are as follows:

<u>Class of fixed assets</u>	<u>Weighted average rates</u>
Buildings and improvements	2.37%
Machinery, equipment and facilities	4.76%
Aircrafts and vehicles	7.50%
Furniture and fixtures and IT equipment	12.91%
Other	10.00%

Residual values and the useful lives of material assets are reviewed and adjusted, if adequate, at the end of each year.

#### i) Leases

Whether a contract is, or contains, a lease is determined based on the substance of the contract at the inception date.

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Under finance lease contracts where substantially all risks and rewards are transferred to the Group, incidental to ownership of the leased asset, they are capitalized at the inception 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 the 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 within borrowing costs in the statement of income. A leased asset is depreciated during its useful life or the term of the lease, the shorter of the two, save when there is evidence that the leased assets will be acquired on the agreement's expiry.

Operating lease agreements are recognized as operating expenses in the statement of income on a straight-line basis over the term of the lease.

#### j) **Intangible assets**

##### i) **Goodwill**

Goodwill is represented by the positive difference between the paid or payable amount for the acquisition of a business and the net fair value of assets and liabilities of the acquired company. Goodwill arising from acquisitions of subsidiaries is disclosed as "Intangible assets". In case of finding a bargain purchase, this amount is stated as a gain in the fiscal year's income figures, on the acquisition date.

The goodwill is recognized at cost less accumulated impairment, when applicable. Goodwill is tested annually for any impairment losses. For impairment testing purposes, goodwill acquired in a business combination is, from the acquisition date, allocated to cash-generating units of the Group that are expected to benefit from the acquisition.

##### ii) **Intangible assets with definite useful lives**

Intangible assets with definite useful lives are carried at cost, less accumulated amortization and accumulated impairment losses, when applicable.

On March 31, 2016 and 2015 the annual weighted average amortization rates are as follows:

<b>Class of intangible assets</b>	<b>Weight average rates</b>
Software license	20%
Brands	10%
Land lease agreements	9%
Sugarcane supply agreements	10%
Contractual relationships with clients (a)	4%
Exclusive supply rights (b)	12%
Public concession rights of use	20%
Other	29%

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### **(a) Contractual relationships with clients**

Contractual relationships with clients acquired in a business combination are recognized at fair value on the acquisition date. Contractual relationships with clients have a finite useful life and are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected useful life of the client relationship.

### **(b) Exclusive supply rights**

This is equal to bonuses granted to clients (Note 12), and will depend on terms and future performance, in particular of the volumes as provided in supply agreements. Inasmuch as contractual conditions are met, bonuses are amortized and recognized in the income figures, in Taxes, deductions and rebates on sales (Note 19).

### **l) Impairment of non-financial assets:**

The Group assesses every year whether there are indicators of an asset's loss of value. In the event such indicators are identified, the Group estimates the asset's recoverable amount. The recoverable value of an asset is the greater among: (a) fair value less costs that would be incurred to sell it and (b) its value in use. When required, value in use is usually determined based on the discounted cash flow (before taxes) from the continued use of the asset until the end of its useful life.

Regardless of the existence of impairment indicators, goodwill and intangible assets with an indefinite useful life, if any, are tested for impairment at least once a year.

When the carrying amount of an asset exceeds its recoverable amount, the loss is recognized as an operating expense in the statement of income.

### **m) Provisions**

Provisions are recognized when: (i) the Group has a present or non-formalized obligation as a result of past events; (ii) it is likely that an outflow of funds will be required to settle the obligation; and (iii) the amount can be reliably estimated.

### **n) Employee benefits**

The Group has a defined contribution and partial defined benefit plan, in which maintains a private pension plan for all of its employees.

The Group recognizes a liability based on a methodology that considers a number of factors determined by actuarial estimates, which employ assumptions for defining pension plan costs (income).

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Actuarial gains and losses arising from adjustments due to experience and in changes in actuarial assumptions are stated directly in net assets as other comprehensive income, when they occur.

Past costs of services are immediately recognized in the statement of income.

The Group recognizes a provision when it is contractually compelled or when there is a past practice that created a constructive obligation.

#### **o) Income and social contribution taxes**

Income (expenses) tax and social contribution expenses of the year include current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent they are related to items directly recognized in equity or in other comprehensive income, when applicable. In that case, the tax is also recorded in equity or in other comprehensive income.

The current and deferred income tax and social contribution charge is calculated based on enacted, or substantially enacted, tax acts, at the reporting date of countries in which the Group's entities operate and generate taxable income. Management periodically evaluates the positions taken by the Group in the calculations of income tax with respect to situations in which applicable tax regulation is subject to interpretations; and establishes provisions when appropriate, on the basis of amounts expected to be paid to the tax authorities.

Income tax is computed on taxable income at the rate of 15%, plus a 10% surtax for income exceeding R\$ 240 in the 12-month period, whereas social contribution is computed at the rate of 9% on taxable income, recognized on the accrual basis. That is, on a compound basis, the Group is subject to a theoretical tax rate equivalent to 34%.

Deferred income tax and social contribution in connection with tax losses, social contribution negative base and temporary differences are shown as net in the statement of financial position when there is a legal right and an intention to offset these on calculation current taxes related with the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different entities or countries are in general presented separately, and not at net value. Deferred taxes are calculated based on the tax rates in force when they are realized or reviewed annually.

Tax assets are only recognized to the extent that it is probable that future taxable income will be available against which these temporary differences can be offset.

Prepayments or current amounts that can be offset are presented in current and non-current assets, in accordance with their expected realization.

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### **p) Share capital and remuneration to shareholders**

The share capital is comprised of common and preferred shares. Incremental expenses attributed directly to share issues, if any, are shown as a deduction from equity, as an additional capital contribution, net of tax effects.

In the parent companies RESA and RCSA, the only existing class A preferred share as well as each common share, is entitled to one vote on resolutions by each company's shareholders' meetings, as well as R\$ 0.01 (one centavo) fixed annual dividends. Such voting rights are restricted to subsidiaries and not to the Group.

Class B and C preferred shares issued by RESA and RCSA are intended to refund assets, chiefly represented by tax benefits contributed by shareholders Cosan and Shell respectively, as these are employed by the Group.

Class D preferred shares have no voting rights and are entitled to a fixed annual dividend in RESA as well as in RCSA, to shareholder Shell. Shareholder compensation will take place in the form of dividends and/or interest on own capital, based on the limitations defined in RESA and RCSA company Bylaws and in legislation in force.

Class E preferred shares issued by RCSA have voting rights and are entitled to a fixed annual dividend to shareholder Shell. Shareholder compensation will take place in the form of dividends and/or interest on own capital, based on the limitations defined in RCSA company Bylaws and in legislation in force.

### **q) Business combinations**

Business combinations are accounted for according to the acquisition method and, assets, liabilities and contingent liabilities identifiable of the company or acquired business are measured at fair value for the purposes of calculation and recognition of the goodwill arising on the transaction in accordance with effective accounting standards. Goodwill represents the surplus of acquisition cost in view of the Group's interest in fair value, net of identifiable assets, liabilities and contingent liabilities in the company acquired. If consideration is lower than fair value of assets, liabilities and contingent liabilities acquired, the difference must be recognized in statement of income.

### **r) Environmental issues**

The group reduces risks in connection with environmental issues by means of operating procedures and controls and investments in equipment and pollution control systems. The Group recognizes a provision for losses with environmental expenditures inasmuch as it is necessary to undertake remedial actions for the damages caused.

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### **2.4 New IFRS and IFRIC Interpretations (IASB Financial Reporting Interpretations Committee) applicable to financial information**

The following new standards and interpretations were issued by the IASB but are not yet effective for the year ended March 31, 2016. Early adoption of standards, although encouraged by the IASB, is not permitted in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

IFRS 9 - Financial instruments. It covers the classification, measuring and the recognition of financial assets and liabilities. The full version of IFRS 9 was published in July 2014, effective as of January 1, 2018. Management is evaluating the full impact of its adoption.

IFRS 15 - Income from contracts with clients. This new standard provides the principles that an entity applies to determine the measurement of revenue and when will be recognized. The standard will become effective as of January 1, 2018 and supersedes IAS 11 - "Construction Contracts" and IAS 18 - "Income" and their related interpretations. Management is evaluating the full impact of its adoption.

IAS 16 - Fixed Assets and IAS 41 - Agriculture. Main change is that bearer biological assets, such as fruit trees and sugarcane stubble are out of IAS 41 scope and must be accounted in accordance with IAS 16, which is cost less accumulated amortization and possible impairment losses. Consumable biological assets such as sugarcane and fruits in the field should be defined at fair value and continue in the scope of IAS 41. On April 1, 2016 a relevant restating is expected of Biological assets to property, plant and equipment, with regard to the values related to sugar-cane stubble. Moreover, the difference of the capital gain between April 1, 2014, date of transition of the above mentioned changes, and March 31, 2016, allocated to the sugar cane stubble, will be reversed against Retained earnings in Equity. The Group is working on determining the effects that will be presented in the first quarter of 2016 return of the 2016/2017 crop, tends to be between R\$ 900,000 and R\$ 1,400,000 to the assets reclassification and R\$ 150,000 and R\$ 250,000 to the fair value reversal.

IFRS 16 - Leasing. IFRS 16 requires that an entity should recognize that any leasing in which the Group is a lessee should be stated in the statement of financial position. The new standard is applicable beginning on or after January 1, 2019 and replaces the IAS 17 - Leases. Management is evaluating the full impact of its adoption.

There are no other IFRS or IFRIC interpretations, except for the mentioned above, that are not yet effective and that are expected to have a significant impact on the Group.

The Accounting Pronouncements Committee has not yet issued any accounting pronouncement or amendments in current pronouncements corresponding to all new IFRSs.

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#### 3. Cash and cash equivalents

	<u>2016</u>	<u>2015</u>
Funds in banks and in cash	777,931	355,367
Values awaiting foreign exchange closure (1)	84,599	2,062
Interest earnings bank deposits:		
Investment Funds (2)	1,714,891	1,274,554
Bank Deposit Certificate (CDB) and Commitments (3)	1,615,069	2,234,988
Time deposit (4)	177,951	159,684
Other investments	2,190	1,575
	<u>3,510,101</u>	<u>3,670,801</u>
	<u>4,372,631</u>	<u>4,028,230</u>
Domestic (domestic currency)	3,527,520	3,618,802
Abroad (foreign currency)	845,111	409,428
	<u>4,372,631</u>	<u>4,028,230</u>

- (1) Refer basically to receiving foreign currency funds from overseas clients, for which obtaining foreign exchange from financial institutions was not yet concluded until the reporting date, and also refer to funds intended to settle debts related to export performance.
- (2) Refer to investments in fixed income funds managed by first-class financial institutions, divided into quotas with daily earnings. As of March 31, 2016, the average yield on investment funds was 99.6% of the CDI (99.9% in 2015).
- (3) Refer to fixed income investments such as CDBs (Bank Certificates of Deposits) and Repurchase Agreements in first-class financial institutions and that yield on average 101.3% of the CDI rate (102.0% in 2015).
- (4) Refer to interbank deposits in the overseas market. Are subject to fixed terms and are not negotiable to maturity. These are held in first-class institutions, have an average 10-day term and yield on average 0.43% per year in foreign currency.

#### 4. Restricted cash

	<u>2016</u>	<u>2015</u>
Financial investments linked to financing (1)	62,302	45,829
Short-term investments related to derivative transactions (2)	136,116	54,831
Margin on derivative operations (3)	676,187	87,964
	<u>874,605</u>	<u>188,624</u>
Domestic (domestic currency)	203,391	157,973
Abroad (foreign currency)	671,214	30,651
	<u>874,605</u>	<u>188,624</u>

- (1) Refers to LFT (*Letra Financeira do Tesouro*) with prime banks, held by virtue of BNDES financing and with redemption subject to payment of certain portions of the mentioned financing.
- (2) Refer to short-term investments such as CDB and overseas public bonds with first-class financial institutions, employed as warranties in transactions with derivative instruments.
- (3) Margin deposits in derivative transactions refer to margin requirements by counterparts in transactions with derivative instruments, and are exposed to US dollar exchange fluctuations (Note 23.d). The balance increase is a result of an increase in the volume of sugar set at 2,805 thousand tons at March 31, 2016 (1,483 thousand tons in 2015).

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#### 5. Trade accounts receivable

	<u>2016</u>	<u>2015</u>
Accounts receivable - Domestic	1,724,696	1,545,458
Accounts receivable - Abroad	119,822	130,575
Funding to clients (i)	420,434	407,311
Allowance for doubtful accounts	<u>(200,585)</u>	<u>(179,916)</u>
	2,064,367	1,903,428
Current	<u>(1,758,781)</u>	<u>(1,605,174)</u>
Non-current	<u>305,586</u>	<u>298,254</u>

- (i) Client financing consists of the payment in installments of outstanding debts and sales of properties, as well as financing agreements backed by security interest, pledges and endorsements whose main purpose is the setup or modernization of gas stations. Finance charges and repayment deadlines are agreed by contract and set according to a business assessment of each negotiation.

The Group did not pledge any trade or other receivable to secure financial transactions.

The maximum exposure to credit risk on the statement of financial position date is the book value of each of the types of accounts receivable mentioned above.

The aging schedule of trade and other receivables and client financing is as follows:

	<u>2016</u>	<u>2015</u>
Falling due	1,828,791	1,741,808
Overdue - in days		
Up to 30	53,217	61,318
From 31-90	70,851	29,093
Over 90	<u>312,093</u>	<u>251,125</u>
	<u>2,264,952</u>	<u>2,083,344</u>

The Group has security interests such as mortgages and letters of credit, for payment of long overdue trade and other receivables which have not been provided for.

The provisions for allowance of doubtful was estimated based on credit risk analyses, that contemplates the historic losses, the situation of each customers, the situation of each economic group they belong, the guarantee in Reais for debts and law assessors evaluation, and it is considerate enough by Group Management to cover possible losses on accounts receivables.

Changes in the allowance for doubtful accounts are as follows:

March 31, 2015	<u>(179,916)</u>
Provision	(59,713)
Reversal	38,828
Foreign exchange variation	<u>216</u>
March 31, 2016	<u>(200,585)</u>

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#### 6. Inventories

	<u>2016</u>	<u>2015</u>
Finished goods:		
Ethanol	387,591	260,188
Sugar	40,460	34,996
Diesel	436,649	448,194
Gasoline	500,198	424,085
Jet fuel (Jet A-1)	62,469	76,229
Other fuels	9,597	15,377
Storeroom and others	258,501	190,845
Provision for net realizable value and obsolescence	<u>(18,134)</u>	<u>(15,967)</u>
	<u>1,677,331</u>	<u>1,433,947</u>

The changes in the provision for net realizable value and obsolescence is as follows and was recognized in the statement of income in the Cost of goods sold and services provided line:

March 31, 2015	<u>(15,967)</u>
Provision	(11,498)
Reversal	<u>9,331</u>
March 31, 2016	<u>(18,134)</u>

#### 7. Other financial assets

	<u>2016</u>	<u>2015</u>
Credits from indemnity suits (1)	828,250	479,556
National Treasury Certificates (CTN) (2)	627,219	501,794
Other	<u>1</u>	<u>1</u>
	1,455,470	981,351
Current	<u>(10,028)</u>	<u>(12,931)</u>
Non-current	<u>1,445,442</u>	<u>968,420</u>

- (1) Receivables from lawsuits on which a final judgment favorable to RESA was passed in February 2007, December 2013 and 2015, which are not part of the net assets contributed by Cosan to set up the Group. Therefore, RESA recognized a liability in the same amount, classified as current and non-current in the related parties account, given that RESA has the obligation to reimburse those receivables to Cosan when they are actually collected. These credits yield IPCA and Selic plus interest rate of 6% per year. In December 2015 RESA recognized the sum of R\$ 349,715 in connection with a credit from an indemnity suit and judicial bonds. This transaction did not and will not have any impact on RESA's results.
- (2) Brazilian Treasury Certificates are government bonds issued by the Brazilian Treasury within the Special Agriculture Industry Securitization Program - PESA, with a 20-year original maturity, falling due between 2018 and 2025, and which pledged to secure its related financing transaction called PESA. These bonds bear annual compound interest of 12%, plus the IGP-M (General Market Price Index). Their value on maturity date will match the principal of the debt due under PESA and may be used for settlement.

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### 8. Related parties

#### a) Summary of balances with related parties

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Framework agreement (1)</b>		
Shell Brazil Holding B.V.	508,345	519,159
Cosan S.A. Indústria e Comércio	324,718	442,511
Shell Brasil Petróleo Ltda.	39,984	37,292
Other	9,083	7,344
	<u>882,130</u>	<u>1,006,306</u>
<b>Commercial operations (2)</b>		
Rumo Group / ALL (f)	114,087	9,018
Nova América Agrícola Caarapó Ltda.	75,334	69,787
Shell Aviation Limited (Note 23.d)	66,576	97,682
Agroterenas S.A.	27,662	26,701
Cosan S.A. Indústria e Comércio	7,542	7,075
Philipinas Shell Petroleum Corp. (Note 23.d)	5,958	4,240
Other	20,704	20,998
	<u>317,863</u>	<u>235,501</u>
<b>Paid-in capital</b>		
Sapore S.A.	5,000	7,200
IB Sabbá S.A.	-	1,756
	<u>5,000</u>	<u>8,956</u>
	<u>1,204,993</u>	<u>1,250,763</u>
Current assets	<u>(491,358)</u>	<u>(334,697)</u>
Non-current assets	<u>713,635</u>	<u>916,066</u>

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

	<u>2016</u>	<u>2015</u>
<b>Liabilities</b>		
<b>Framework agreement (1)</b>		
Cosan S.A. Indústria e Comércio	1,059,048	668,357
Shell Brasil Petróleo Ltda.	71,749	53,128
Shell Brazil Holding B.V.	48,357	55,330
Other	233	358
	<u>1,179,387</u>	<u>777,173</u>
<b>Financial operations</b>		
Cosan S.A. Indústria e Comércio	9,672	9,672
Sapora S.A.	22	-
	<u>9,694</u>	<u>9,672</u>
<b>Commercial operations (2)</b>		
Shell Trading US Company (Note 23.d)	179,987	-
Shell Western Supply and Trading (Note 23.d)	-	109,466
Agroterenas S.A.	42,923	10,008
Nova América Agrícola Ltda.	26,077	8,317
Rumo Group / ALL (f)	20,407	11,343
Nova América Agrícola Caarapó Ltda.	17,963	7,069
Shell Aviation Limited (Note 23.d)	1,341	1,687
Other	38,805	17,863
	<u>327,503</u>	<u>165,753</u>
<b>Preferred shares (3)</b>		
Shell Brazil Holding B.V.	494,430	152,340
Cosan S.A. Indústria e Comércio	89,762	89,762
	<u>594,192</u>	<u>242,102</u>
<b>Corporate restructuring</b>		
CTC - Centro de Tecnologia Canaveira	609	-
	<u>609</u>	<u>-</u>
	<u>2,101,385</u>	<u>1,194,700</u>
Current liabilities	<u>(860,980)</u>	<u>(262,269)</u>
Non-current liabilities	<u>1,240,405</u>	<u>932,431</u>

## **RAÍZEN Group**

**Notes to the combined consolidated  
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### **(1) Framework agreement**

On March 31, 2016 and 2015, the amount stated in assets and liabilities refer to refundable values chargeable to shareholders, existing prior to the creation of Raízen, when actually realized or settled (Note 16).

### **(2) Commercial operations**

On March 31, 2016, the amount stated in assets of R\$ 317,863 (R\$ 235,501 in 2015) refers to transactions for the sale of goods, such as gasoline, diesel, jet fuel, sugar and ethanol.

On March 31, 2016, the amount stated in liabilities of R\$ 327,503 (R\$ 165,753 in 2015) refers to transactions for the purchase of goods and the provision of services, such as ethanol, diesel, gasoline, sugar, sugar-cane, highway and railway cargoes and warehousing.

### **(3) Preferred shares**

Upon formation of the Group entities, Shell and Cosan have agreed that each of the ventures shall be reimbursed when tax credits already existing on entities that were contributed to the Group are effectively utilized by the Group, mostly NOLs and tax benefits on goodwill amortization ("GW"). Reimbursement shall occur through distribution of disproportionate dividends to holders of C and E class preferred shares (liability instrument).

During the year ended March 31, 2016, tax credits recognized in RCSA, tax credits originated from IRPJ and CSLL overpayments from January 2010 to May 2011 were recognized in the amount of R\$ 258,250 (Note 15.b) (current), as well as supplement to NOL and goodwill balances contributed by Shell to RCSA, in the amount of R\$ 78,124 (Note 15.e), calculated in the same period (non-current), totaling R\$336,374.

Tax credits that arose from overpayment of IRPJ and CSLL (current) are updated according to the Selic interest rate as of the date of recognition. During the year ended March 31, 2016, the update of the referred credits amounted R\$ 5,715.

On March 31, 2016 RCSA created a R\$ 138,070 provision for dividends payable related to the use of Shell's NOL and GW with regard to the 2015 calendar year, by means of a reduction in the capital reserve (Note 18.b).

Furthermore, RESA also owes R\$ 89,762 in NOL and Goodwill tax benefit balance payable to Cosan, when actually used.

Based on the merger of Ispagnac Participações Ltda. ("IPL") by REPSA and subsequently by RESA, occurred on November 30, 2012, class C preferred shares were issued in order to secure an exclusive dividend base for Shell, the benefit's exclusive originator totaling R\$ 3,538.

# RAÍZEN Group

## Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

### b) Summary of related-party transactions (g)

	2016	2015
Sale of products		
Shell Aviation Limited	956,499	1,227,690
Rumo Group / ALL (f)	647,791	387
Agricopel Group	404,747	395,371
Philipinas Shell Petroleum Corp.	99,736	82,396
Shell Trading US Company	71,188	154,425
Shell Western Supply and Trading	10,300	139,470
Other	184,806	52,358
	<u>2,375,067</u>	<u>2,052,097</u>
Purchase of goods and services		
Rumo Group / ALL (f)	(488,487)	(298,553)
Agroterenas S.A.	(248,133)	(170,634)
Nova América Agrícola Ltda.	(182,914)	(143,867)
Shell Trading US Company	(174,055)	-
Nova América Agrícola Caarapó Ltda.	(110,230)	(94,897)
Agricopel Group	(40,030)	(32,911)
	(604)	(109,318)
Other	(52,344)	(16,970)
	<u>(1,296,797)</u>	<u>(867,150)</u>
Renewed collection of shared expenses (a)		
Companhia de Gás de São Paulo	26,264	23,221
Rumo Group / ALL (f)	13,380	5,330
Cosan Lubrificantes e Especialidades S.A.	5,375	4,518
Cosan S.A. Indústria e Comércio	3,954	4,330
Other	2,314	1,824
	<u>51,287</u>	<u>39,223</u>
Land leases (b)		
Radar Group	(60,177)	(57,596)
Aguassanta Group	(26,803)	(32,386)
Tellus Group	(16,232)	-
Janus Brasil Participações S.A.	(7,636)	-
	<u>(110,848)</u>	<u>(89,982)</u>
Financial income (expense) (c)		
Nova América Agrícola Caarapó Ltda.	9,318	5,299
Agroterenas S.A.	3,397	2,557
Shell Finance B.V.	(5,478)	(5,640)
Other	(2,125)	(2,807)
	<u>5,112</u>	<u>(591)</u>
Service income (d)		
Shell Brasil Petróleo Ltda.	18,236	2,285
Other	755	-
	<u>18,991</u>	<u>2,285</u>
Service expenses (e)		
Shell Brasil Petróleo Ltda.	(14,117)	(3,859)
Shell International Petroleum	(5,297)	(3,743)
Other	(2,713)	(1,233)
	<u>(22,127)</u>	<u>(8,835)</u>

- a) Reimbursement of shared expenses consists of expenses incurred by shared corporate, managerial and operating costs reimbursed from related parties;
- b) Leased land consists of expenses incurred with land leased from related parties;
- c) Finance expenses basically consist of expenses incurred with commissions on available credit facilities and inflation adjustment of the balances of advances granted to finance sugar cane crops;
- d) Service revenues consist of commissions on the sales of lubricants to Shell; and
- e) Service expenses consist of expenses incurred with technical support, billing and collection, commissions on the sale of jet fuel and secondees from Shell.
- f) On April 1, 2015 Cosan acquired through its subsidiary Rumo Logística Operadora Multimodal S.A., 100% of the common shares in América Latina Logística S.A. ("ALL"), creating a relationship by the Rumo Group / ALL with the Group.
- g) Transactions with related parties are entered into under reasonable and cumulative conditions, in line with those prevailing in the market or that the Company would contract with third parties.

## RAÍZEN Group

Notes to the combined consolidated  
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### c) Directors and members of the Board of Directors

Fixed and variable compensation pay to key management personnel, including statutory directors and members of the Board of Directors that is recognized in the statement of income as follows:

	<u>2016</u>	<u>2015</u>
Regular remuneration	42,362	42,226
Bonuses and other variable compensation	<u>63,461</u>	<u>31,488</u>
Total compensation	<u><u>105,823</u></u>	<u><u>73,714</u></u>

### d) Other significant information involving related parties

#### Committed Back-up Credit Facility Agreement

The Group is a beneficiary of a US\$ 500,000 thousand Revolving Committed Back-up Credit Facility Agreement granted by Shell Finance (Netherlands) B.V. and Cosan S.A. Indústria e Comércio. As of March 31, 2016 the mentioned credit facility had not been used.

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

## 9. Investments

				Investments (1)		Equity in net income of subsidiaries	
	Country	Business	Percentage of Interest	2016	2015	2016	2015
<u>Book value</u>							
Centro de Tecnologia Canavieira S.A.	Brazil	R&D	21.50%	88,483	68,574	1,840	1,962
Codexis Inc. (2)	United States	R&D	-	-	-	-	(6,684)
Logum Logística S.A.	Brazil	Logistics	20.00%	53,687	64,370	(46,829)	(29,054)
Uniduto Logística S.A.	Brazil	Logistics	46.48%	12,740	30,587	(25,514)	(161)
Serviços e Tecnologia de Pagamentos S.A. (6)	Brazil	Payment options	10.00%	-	27,257	11,227	20,016
Other	-	-	-	-	-	(2,752)	-
				<u>154,910</u>	<u>190,788</u>	<u>(62,028)</u>	<u>(13,921)</u>
<u>Appreciation of assets, net assigned</u>							
Serviços e Tecnologia de Pagamentos S.A. (6)				-	47,284	(3,862)	(6,320)
Subtotal				-	47,284	(3,862)	(6,320)
<u>Investment goodwill (3)</u>							
Uniduto Logística S.A.				5,676	5,676	-	-
Centro de Tecnologia Canavieira S.A.				49,839	41,379	-	-
Serviços e Tecnologia de Pagamentos S.A.				-	184,436	-	-
Subtotal				<u>55,515</u>	<u>231,491</u>	<u>-</u>	<u>-</u>
Total investments				<u>210,425</u>	<u>469,563</u>	<u>(65,890)</u>	<u>(20,241)</u>
<u>Provision for negative equity (4)</u>							
Other (5)				-	(2,653)	(1)	(1)
Total provision for unsecured liability				-	(2,653)	(1)	(1)
						<u>(65,891)</u>	<u>(20,242)</u>

(1) Investments accounted for under the equity method.

(2) As of March 10, 2015, RESA sold all of its Codexis shares.

(3) Goodwill on acquisition and transfer of shares.

(4) Classified in the non-current liabilities.

(5) From June 30, 2015, RESA has been consolidated Unimodal Ltda.

(6) As of March 14, 2016, RCSA sold all of its STP shares, subject to some preceding conditions. The investment was reclassified to the line item Assets held for sale See note 9.b.i.

Investment transactions in associated companies without considering the provision for the negative equity is as follows:

Balances in March 31, 2015	<u>469,563</u>
Equity in net income of subsidiaries	(65,891)
Additions to the investment	48,914
Investment goodwill	8,458
Dividends receivable	(23,256)
Capital gain due to dilution of corporate interest	15,583
Transfer to other financial assets (Note 9.b.i)	(243,086)
Other	<u>140</u>
Balances in March 31, 2016	<u><u>210,425</u></u>

## RAÍZEN Group

Notes to the combined consolidated  
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### a) Summary financial information on investments

#### i) The main associated companies' accounts, are as follows:

- March 31, 2016

	Logum Logística S.A. (1)/(2)	Uniduto Logística Ltda. (1)/(2)	Centro de Tecnologia Canaveira S.A. (2)	Iogen Energy Corp. (3)
Assets	2,505,051	85,080	695,961	39,950
Liabilities	(2,236,615)	(3,068)	(265,120)	(293,184)
Equity	<u>268,436</u>	<u>82,012</u>	<u>430,841</u>	<u>(253,234)</u>
Net operating income	120,041	-	78,332	-
Net income (loss)	(234,147)	(299)	3,021	(4,972)

- March 31, 2015

	Logum Logística S.A. (1)/(2)	Uniduto Logística Ltda. (1)/(2)	Centro de Tecnologia Canaveira S.A. (2)	Unimodal Ltda.(1)	Iogen Energy Corp. (3)	Serviços e Tecnologia de Pagamentos (1) / (2)
Assets	2,049,903	65,810	454,036	-	48,652	1,197,732
Liabilities	(1,728,055)	(4)	(126,403)	(3,617)	(283,746)	(925,164)
Equity	<u>321,848</u>	<u>65,806</u>	<u>327,633</u>	<u>(3,617)</u>	<u>(235,094)</u>	<u>272,568</u>
Net operating income	41,479	-	75,093	-	-	671,749
Net income (loss)	(145,266)	(346)	499	(15)	(15,377)	200,164

- (1) The fiscal year of these investees is on December 31.
- (2) Significant influence over these companies has been defined, mainly, based on the Group's right to elect key management personnel and to decide on their significant operational and some strategic issues.
- (3) Jointly controlled entity in which the Group participation is 50% in common shares, whose fiscal year ends on August 31. RESA did not recognize a provision for shareholders' deficit or share of loss of equity-accounted investees, given that it has no legal or constructive obligations to make payments on account of that company.

### b) Investment transactions in associated companies occurred in the year ended March 31, 2016

#### (i) Disposal of corporate interest in STP

By means of a share purchase and sale agreement on March 14, 2016, shareholders of Serviços e Tecnologia de Pagamentos S.A. ("STP") sold 100% of shares in the share capital of STP to DBTRANS Administração de Meios de Pagamentos Ltda. for R\$ 4,086,000, of which R\$ 408,600 will be paid to RCSA for 10% of its interest, when contractual conditions are met.

As concluding this transaction is subject to compliance with certain contractual clauses, including approval by the anti-monopolies official body (Conselho Administrativo de Defesa Econômica - CADE), the Company has not yet recognized the transaction's gain, yet it reclassified the R\$ 243,086 carrying amount of the investment to current assets, to the line item Assets held for sale.

## RAÍZEN Group

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### **(ii) Increase in capital of Logum Logística S.A. ("Logum")**

During the period ended on March 31, 2015 capital increases by the Company were resolved and approved totaling R\$ 180,000 by means of cash contributions. The amounts subscribed and paid in 2016 by the Group in these operations totaled R\$ 36,000.

In these operations, there were no variations in the percentage of participation in the share capital of the investee, since all shareholders effected capital contributions in proportion to their existing holding.

### **(iii) Increase in capital of Uniduto Logística S.A. ("Uniduto")**

During the year ended March 31, 2015 capital increases by the Company were resolved and approved totaling R\$ 16,500 by means of cash contributions. The amounts subscribed and paid in 2016 by the Group in these operations totaled R\$ 7,668.

In these operations, there were no variations in the percentage of participation in the share capital of the investee, since all shareholders effected capital contributions in proportion to their existing holding.

### **(iv) Centro de Tecnologia Canavieira S.A. ("CTC")**

#### **a) Share transfers**

On April 13, 2015, RESA, through its subsidiary Raízen Tarumã S.A. ("Tarumã") received a transfer of 4,236 shares from CTC, valued at R\$ 8,250, of the company Sabarálcool S.A. - Açúcar e Alcool, as a partial payment of a debt that had with Tarumã, and the CTC's interest in share capital now totals 0.5899%. Therefore, Tarumã recognized an increase in its investment and goodwill in the amount of R\$ 1,933 and R\$ 6,317, respectively under "Investments".

After the transaction, RESA has a direct and indirect participation in the share capital of CTC of 21.52%.

#### **b) Capital increase**

During the Special Shareholders' Meeting held on February 24, 2016 a R\$ 94,589 capital increase was approved by CTC shareholders, through an issue of 41,869 new common shares. The sum underwritten by RESA for this transaction totaled R\$ 2,624 equal to 1151 common shares, with R\$ 2,031 paid in on March 28, 2016 and R\$ 593 paid in on April 1, 2016. Hence, RESA recognized investment and goodwill totaling R\$ 540 and R\$ 2,084 respectively in the line item Investments.

As provided for in the CTC shareholders' agreement, in this transaction RESA and all other shareholders waived 89.83% of their pre-emptive rights to underwrite CTC shares. Hence, its ownership interest in the share capital of this investee dropped from 20.93% to 19.92%, thus creating a R\$ 15,121 capital gain by diluting the corporate interest, recognized in the line item Other operating income, net (Note 21).

#### **c) Capital increase by Tarumã, a RESA subsidiary**

In the CTC capital increase dated February 24, 2016 as shown the above item, Tarumã underwrote R\$ 73 equal to 32 common shares, with R\$ 57 paid in on March 28, 2016 and R\$ 16 paid in on April 1, 2016. Hence, Tarumã recognized investment and goodwill totaling R\$ 16 and R\$ 57 respectively in the line item Investments.

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

Based on the waiver of pre-emptive rights to underwrite CTC shares, also mentioned above in (b), Tarumã reduced its ownership interest in CTC from 0.59% to 0.57%, thus creating a R\$ 462 share capital gain by diluting the corporate interest, recognized in the line item Other operating income, net (Note 21).

#### (v) Capital increase in Iogen Energy Corporation

On March 8, 2016 RESA made a R\$ 2,757 capital contribution to this associated company, equal to CAD 1,000 thousand and entirely underwritten and paid in.

## 10. Biological assets

As described in Note 2.1.g, the Group reviews assumptions used to calculate the fair value biological assets at each reporting date. The most recent change in pricing assumptions occurred on December 31, 2015 (and remained flat for the year end March 31, 2016 remeasurement), mainly due to increasing ATR (“Total Recoverable Sugar”) average price expectations (from R\$ 0.52/kg on March 31, 2015 to R\$ 0.63/kg on March 31, 2016 - a weighted average of all cash flows), pursuant to sugar price and US dollar expectations.

Changes in biological assets (sugar cane) are detailed below:

	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year	1,959,859	2,036,693
Expenditures with planting (1)	249,478	385,102
Expenditures with sugar-cane care (1)	515,437	541,531
Absorption of harvested sugar-cane costs	(928,282)	(972,128)
Change in fair value	637,481	(31,339)
Transfers and restatements	29,515	-
Balance at the end of the year	<u>2,463,488</u>	<u>1,959,859</u>

- (1) As of March 31, 2016, those expenses include the amounts of R\$ 63,235 (R\$ 75,222 in 2015), arising from the depreciation of agricultural machinery which make up the initial cost of biological assets.

## RAÍZEN Group

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### Sugar cane stubble

Planted areas refer only to sugarcane plantations, and do not consider the land itself. The fair value of biological assets is classified as level 3 and the following main assumptions were used to determine the fair value using the discounted cash flow approach:

	<u>2016</u>	<u>2015</u>
Estimated harvest area (hectares)	427,768	412,738
Productivity expected (tons of sugar-cane per hectare)	80.04	75.30
Amount of ATR (kg)	130.12	132.60
Average ATR price per Kg projected (R\$/Kg)	0.63	0.52

As of March 31, 2016, the discount rate used in the calculation was 7.48% per year (7.73% in 2015).

The Company's sugarcane planting operations are exposed to variations from climate changes, pests and diseases, forest fires and other forces of nature.

Weather conditions may historically cause fluctuations in the ethanol and sugar industries and therefore in Group's operating results because they affect crops by means of increasing or reducing harvests. Moreover, Group's businesses are subject to seasonal fluctuations determined by the sugar cane growth cycle in Brazil's Center-Southern region.

Sugarcane usually starts to be harvested in Brazil's Center-Southern region between April and May every year and harvesting ends in November and December. This causes fluctuations in inventories, which are usually higher in November and December to cover off season sales (from December to April) and in gross profit, which is likely to be lower in the last quarter of the calendar year (from October to December).

## RAÍZEN Group

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### 11. Property, plant and equipment

- March 31, 2016

	<u>Lands and rural properties</u>	<u>Buildings and improvements</u>	<u>Machinery, equipment and facilities</u>	<u>Aircrafts and vehicles</u>	<u>Furniture, fixtures and IT equipment</u>	<u>Works in progress</u>
Cost:						
March 31, 2015	683,630	1,306,857	8,598,965	641,628	192,817	1,210,469
Additions	1,952	-	38,464	2,699	278	618,569
Write-offs	(32,304)	(16,557)	(138,720)	(20,665)	(7,535)	-
Transfers between cost and depreciation	-	-	-	-	-	-
Transfers (1)	-	191,029	683,806	44,908	27,291	(968,207)
Provision for losses and other (2)	-	-	1,659	(3)	(35)	388
March 31, 2016	<u>653,278</u>	<u>1,481,329</u>	<u>9,184,174</u>	<u>668,567</u>	<u>212,816</u>	<u>861,219</u>
Accumulated depreciation:						
March 31, 2015	-	(387,878)	(2,894,330)	(279,188)	(122,065)	-
Depreciation for the year	-	(27,897)	(467,407)	(42,488)	(22,077)	-
Write-offs	-	10,569	100,107	18,804	6,339	-
Transfers between cost and depreciation	-	-	-	-	-	-
Transfers (1)	-	(19,108)	21,581	(2,609)	(257)	-
March 31, 2016	<u>-</u>	<u>(424,314)</u>	<u>(3,240,049)</u>	<u>(305,481)</u>	<u>(138,060)</u>	<u>-</u>
Net book value:						
March 31, 2016	<u>653,278</u>	<u>1,057,015</u>	<u>5,944,125</u>	<u>363,086</u>	<u>74,756</u>	<u>861,219</u>
March 31, 2015	<u>683,630</u>	<u>918,979</u>	<u>5,704,635</u>	<u>362,440</u>	<u>70,752</u>	<u>1,210,469</u>

(1) Includes transfer of current assets, in the amount of R\$ 2,767 consisting of non-recoverable Value-Added Tax on Sales and Services (ICMS) credits and transfer to intangible asset provision for inventory loss recognized in the income statement under Other operating income, net (Note 21), in the amount of R\$ 1,869.

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

- **March 31, 2015**

	<b>Lands and rural properties</b>	<b>Buildings and improvements</b>	<b>Machinery, equipment and facilities</b>	<b>Aircrafts and vehicles</b>	<b>Furniture, fixtures and IT equipment</b>	<b>Works in progress</b>
Cost:						
March 31, 2014	721,384	1,229,330	8,091,579	579,442	183,836	1,199,134
Additions	-	-	43,075	22	555	986,133
Business combination (1)	62	478	27,120	-	-	-
Reversal of sums contributed (2)	(4,574)	-	-	-	-	-
Write-offs	(49,391)	(15,443)	(270,777)	(21,942)	(16,535)	(71)
Transfer between cost and depreciation	-	-	(18,306)	-	-	-
Transfers	16,149	92,492	729,463	84,106	24,279	(969,238)
Provision for losses (3)	-	-	(3,189)	-	682	(5,489)
March 31, 2015	683,630	1,306,857	8,598,965	641,628	192,817	1,210,469
Accumulated depreciation:						
March 31, 2014	-	(377,412)	(2,703,373)	(259,000)	(119,227)	-
Depreciation for the year	-	(19,970)	(451,374)	(41,152)	(20,982)	-
Write-offs	-	10,558	240,273	20,711	14,339	-
Transfer between cost and depreciation	-	-	18,306	-	-	-
Transfers	-	(1,054)	1,838	253	3,805	-
March 31, 2015	-	(387,878)	(2,894,330)	(279,188)	(122,065)	-
Net book value:						
March 31, 2015	683,630	918,979	5,704,635	362,440	70,752	1,210,469
March 31, 2014	721,384	851,918	5,388,206	320,442	64,609	1,199,134

(2) Acquisition of Latina (Note 26); (2) Reversal of sums contributed with regard to business combinations with Cosan Combustíveis e Lubrificantes S.A. ("CCL"); and, (3) Nel rev statement under Other operating income, net (Note 21).

## **RAÍZEN Group**

**Notes to the combined consolidated  
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### **Works in progress**

The balances of construction in progress consist basically of: (i) stillage concentration project; (ii) investments in expanding sugar-cane crushing; (iii) project for receiving the chopped sugar cane and separate the straw for the co-generation of energy; (iv) installation of tanks to increase ethanol storage capacity; (v) investments for industrial maintenance and improvement, agricultural automation, in addition to safety, health and environment and administrative investments; (vi) construction projects for new fuel distribution terminals and the expansion, modernization and improvement of existing terminals; (vii) investments in Shell gas stations to replace fuel pumps, make environmental adaptations, polish the image, renovate and refurbish gas station convenience stores, purchase and install furniture and equipment for the gas station convenience stores; (viii) investments in large consumer clients; (ix) investments in airports where RCSA distributes fuels, such as the acquisition of supply vehicles, expansion of the network of hydrants and points of supply, installation of the whole infrastructure of new airports and modernization and improvement of existing airports.

During the year ended March 31, 2016 a number of projects were concluded, substantially formed by the E2G project, expansion of the Paraguaçu mill, implementation of the fuel distribution terminal in Rondonópolis (MT), construction of the Marabá terminal and expansion of the Palmas terminal, involving, approximately, R\$ 500 million.

### **Borrowing costs capitalization**

During the year ended March 31, 2016 the costs of borrowings capitalized in the Group were R\$ 34,923 (R\$ 40,636 in 2015). The annual weighted average of debt charges used for capitalization of interest in the balance of construction in progress was 5.25% in 2016 (5.86% in 2015).

### **Financial lease**

As of March 31, 2016, the aircraft class includes net residual values of R\$ 5,162 (R\$ 5,694 in 2015), in which RESA is the lessee under a finance lease.

### **Property, plant and equipment pledged**

As of March 31, 2016, loans and financing are secured by land, building and machinery in the total amount of R\$ 1,581,647 (R\$ 1,957,387 in 2015).

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of reais - R\$, unless otherwise stated)

#### 12. Intangible assets

- March 31, 2016

	Software license	Goodwill	Brands	Agricultural Partnership Agreements	Sugarcane supply agreements	Contractual relationships with clients	Exclusive supp right
Cost or evaluation:							
March 31, 2015	326,293	1,978,031	532,341	18,411	181,516	362,834	2,206,92
Additions	31,017	-	7	-	-	-	537,96
Write-offs	(7,315)	-	-	-	-	-	(95,58
Transfer (3)	24,689	-	-	-	-	-	(1
Other	-	-	-	-	-	-	-
March 31, 2016	<u>374,684</u>	<u>1,978,031</u>	<u>532,348</u>	<u>18,411</u>	<u>181,516</u>	<u>362,834</u>	<u>2,649,29</u>
Amortization:							
March 31, 2015	(226,885)	(431,380)	(209,810)	(5,803)	(55,954)	(57,390)	(963,22
Amortization in the year	(32,546)	-	(55,633)	(3,224)	(11,508)	(18,748)	(309,89
Write-offs	6,195	-	-	-	-	-	95,58
Transfer (3)	(1)	-	-	-	-	-	7
March 31, 2016	<u>(253,237)</u>	<u>(431,380)</u>	<u>(265,443)</u>	<u>(9,027)</u>	<u>(67,462)</u>	<u>(76,138)</u>	<u>(1,177,45</u>
Net book value:							
March 31, 2016	<u>121,447</u>	<u>1,546,651</u>	<u>266,905</u>	<u>9,384</u>	<u>114,054</u>	<u>286,696</u>	<u>1,471,83</u>
March 31, 2015	<u>99,408</u>	<u>1,546,651</u>	<u>322,531</u>	<u>12,608</u>	<u>125,562</u>	<u>305,444</u>	<u>1,243,70</u>

(1) Refers to technology developed by Iogen and Codexis to produce second-generation ethanol ("E2G"). These technologies are represented by contractual rights including, among where it operates. The average period of amortization will be 10 years, which is the expected return period of the technologies developed for the production of E2G; (2) Includes int consisting of client portfolio and operating licenses in Europe and United States; (3) As of March 31, 2016, net transfers of R\$ 24,746 include: (a) transfers from Fixed Assets item transferred from accounts receivable.

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of reais - R\$, unless otherwise stated)

#### • March 31, 2015

	Software license (1)	Goodwill	Brands	Agricultural Partnership Agreements	Sugarcane supply agreements	Contractual relationships with clients	Exclusive sup rig
Cost or evaluation:							
March 31, 2014	277,314	1,915,811	529,862	6,107	178,286	319,402	1,709,7
Additions	18,674	-	-	-	-	-	507,1
Business combinations (4)	-	70,432	7,301	-	-	43,432	3,0
Reversal of sums contributed (5)	-	3,274	-	-	-	-	-
Final allocation of the Cerrado acquisition (Note 26)	-	(9,003)	-	12,303	3,230	-	-
Write-offs	(1,908)	-	(4,822)	1	-	-	(13,0
Transfers	32,213	(2,483)	-	-	-	-	-
Provision for impairment losses (6)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
March 31, 2015	<u>326,293</u>	<u>1,978,031</u>	<u>532,341</u>	<u>18,411</u>	<u>181,516</u>	<u>362,834</u>	<u>2,206,9</u>
Amortization:							
March 31, 2014	(197,570)	(431,380)	(157,960)	(1,759)	(44,236)	(38,638)	(710,3
Amortization in the year	(26,863)	-	(56,672)	(4,044)	(11,718)	(18,752)	(266,0
Write-offs	1,886	-	4,822	-	-	-	13,0
Transfers	(4,338)	-	-	-	-	-	-
March 31, 2015	<u>(226,885)</u>	<u>(431,380)</u>	<u>(209,810)</u>	<u>(5,803)</u>	<u>(55,954)</u>	<u>(57,390)</u>	<u>(963,2</u>
Net book value:							
March 31, 2015	<u>99,408</u>	<u>1,546,651</u>	<u>322,531</u>	<u>12,608</u>	<u>125,562</u>	<u>305,444</u>	<u>1,243,7</u>
March 31, 2014	<u>79,744</u>	<u>1,484,431</u>	<u>371,902</u>	<u>4,348</u>	<u>134,050</u>	<u>280,764</u>	<u>999,4</u>

(1) As of March 31, 2015, the software class of Intangible assets included the net residual value of R\$ 1,421 in which RESA is the lessee under a finance lease; (2) Refers to technologies for the production of ethanol ("E2G"). These technologies are represented by contractual rights including, among others, RESA's exclusive marketing of those rights in the locations where it operates. The amortization period of the technologies developed for the production of E2G; (3) Includes intangible assets recognized by Raízen Trading, controlled by RESA, consisting of client portfolios in the United States; (4) Latina Acquisition (Note 26); (5) Reversal of sums contributed with regard to the business combination with Cosan Combustíveis and Lubrificantes S.A. ("Cosan"); (6) Intangible assets recognized for the potential benefit arising from Codexis technology due to the uncertainty regarding its use. Therefore, it was made the additional provision for loss of operating income, net (Note 21).

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

#### Goodwill

Refer to goodwill paid for expected future earnings. On March 31, 2016 and 2015, goodwill balance is as follows:

	<u>Total</u>
Upon acquisition of Costa Rica Canavieira Ltda.	57,169
Upon acquisition of Cerrado Açúcar e Álcool S.A.	24,660
Upon acquisition of RESA (former Cosan S.A. Açúcar e Álcool)	558
Upon acquisition of Univalem S.A. Açúcar e Álcool	5,018
Upon acquisition of Usina Açucareira Bom Retiro S.A.	81,575
Upon acquisition of Usina Benálcool	149,247
Upon acquisition of Usina Santa Luíza	42,348
Upon acquisition of Usina Zanin Açúcar e Álcool	98,380
Upon acquisition of Vertical	4,313
Upon acquisition of TEAS' shares	4,818
Upon acquisition of Corona Group	380,003
Upon acquisition of Destivale Group	42,494
Upon acquisition of Mundial Group	87,435
Upon establishment of FBA - Franco Brasileira S.A. Açúcar e Álcool	4,407
Upon merger of Curupay S.A. Participações	109,841
Upon capital payment at Mundial	14,800
<b>Total RESA</b>	<b><u>1,107,066</u></b>
Upon acquisition of Latina	70,432
Upon business combination of Cosan Combustíveis Lubrificantes S.A.	348,103
Other	21,050
<b>Total RCSA</b>	<b><u>439,585</u></b>
<b>Total combined consolidated</b>	<b><u>1,546,651</u></b>

#### **Impairment analysis for cash generating units containing goodwill**

The Group tests goodwill for impairment at least on an annual basis.

Indefinite life non-financial assets that are not subject to depreciation or amortization are reviewed whenever there are indications that their carrying amount will not be recovered.

In case of RCSA, Management, to determine recoverable value, uses the value in use method, which is based on projection of expected discounted cash flows of cash generating units (CGU) determined by Management based on budgets that take into consideration assumptions related to CGU; business management of RCSA considers them as an integrated distribution chain comprising a single cash generating unit, using information available in the market and prior performances.

Discounted cash flows were prepared for a period of five years and taken to perpetuity with considering a zero growth rate, based on past performance and on expected market development. Cash flows deriving from continued use of related assets are adjusted at specific risks and use pre-tax discount rate, calculated as 7.48% p.a. (8.5% in 2015).

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reals - R\$, unless otherwise stated)

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Main assumptions used were: prices based on market expectation, growth rates estimated for business line and extrapolations of growth rates based on Gross Domestic Product (PIB). Every future cash flow was discounted at rates that reflect specific risks related to relevant assets in each CGU.

In case of RESA, goodwill is allocated to CGU's identified according to operating regions, as follows:

<u>Operating regions</u>	<u>Total</u>
Piracicaba	138,744
Jaú	558
Araraquara	545,391
Araçatuba	303,401
Assis	109,841
Independent and others	<u>9,131</u>
Total RESA goodwill	<u><u>1,107,066</u></u>

RESA, to determine recoverable value, uses the value in use method, which is based on projection of expected discounted cash flows of cash generating units determined by Management based on budgets that take into consideration assumptions related to each CGU using information available in the market and prior performances. Discounted cash flows were prepared for a period of 20 years without considering a terminal growth rate, based on past performance and on expected market development. Rate used corresponds to average market rate of the companies of the industry, calculated as 7.48% p.a.

Main assumptions used for RESA were: expected sales price of commodities in the long-term, productivity of agricultural areas, performance of Total Recoverable Sugar (ATR), and operating and administrative costs. Every future cash flow was discounted at rates that reflect specific risks related to relevant assets in each CGU.

As a result of annual tests, no significant expenses from impairment of assets and goodwill was recognized during the years ended March 31, 2016 and 2015. Determination of assets recoverability depends on the accomplishment of certain assumptions that are influenced by market, technological, and economic conditions prevailing at the time in which recoverability is tested and, therefore, it is not possible to determine if recoverability losses will occur in the future and, in case they occur, if they will be material.

## RAÍZEN Group

Notes to the combined consolidated  
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### 13. Suppliers

	<u>2016</u>	<u>2015</u>
Suppliers of materials and services (i)	681,745	541,266
Suppliers of ethanol (ii)	251,848	276,085
Oil suppliers (ii)	139,689	208,246
Sugarcane suppliers (iii)	233,346	129,640
Suppliers - Agreement (iv)	<u>359,343</u>	<u>174,354</u>
	<u>1,665,971</u>	<u>1,329,591</u>

- (i) The balance payable to suppliers of materials and services mostly consists of the acquisition of machinery and equipment for the ethanol, sugar and bioenergy production facilities for resale.
- (ii) The balances payable to suppliers of oil and ethanol consist of purchases.
- (iii) Sugar cane harvesting, which usually takes place between April and December every year, has a direct impact on the balance of trade payables to sugar cane suppliers and for cutting, loading and transportation services.
- (iv) The Group has Agreements Related to Payments and Other Covenants (“Agreement”) that permit certain suppliers to advance their receivables referring to products and services provided to the Group, directly with Financial Institution. In said Agreement, supplier may choose to grant or not and the bank decides whether to acquire or not said credit, without interference from the Group. The utilization of the Agreement does not imply any change in notes issued by the supplier, and the same original value and average payment term conditions are maintained, which, as average, is around 60 to 90 days, period that is consistent with the Group’s recurring operating cycle.

# RAÍZEN Group

## Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

### 14. Loans and financing

Purpose	Final maturity	Index	Annual effective average interest rate		Total	
			2016	2015	2016	2015
Classification of debts per currency:						
Denominated in Reais					6,058,158	5,868,340
Denominated in North-American Dollars (US\$) and Euro (€) (Note 23.d)					6,873,488	6,115,042
					<u>12,931,646</u>	<u>11,983,382</u>
Type of debts (2):						
BNDES	Oct 25	URTJLP	10.01%	8.10%	1,179,337	1,318,415
BNDES	Jul 24	Pre-fixed	4.08%	4.10%	1,173,004	1,218,098
BNDES	Apr 24	UMBND	6.53%	6.70%	80,734	81,657
Prepayments ("PPEs")	Dec 21	Dollar (US\$) + <i>Libor</i>	2.84%	1.70%	1,693,796	863,123
Term Loan Agreement	Apr 20	Dollar (US\$) + <i>Libor</i>	1.94%	1.60%	3,728,122	3,375,698
Debentures	Oct 18	CDI	15.19%	13.70%	475,446	471,020
Debentures	Oct 20	IPCA + interest	14.15%	15.10%	384,812	350,187
Senior notes due 2017	Feb 17	Dollar (US\$)	7.00%	7.00%	734,550	1,297,921
Resolution 2471 (PESA)	Apr 23	IGP-M	11.92%	10.70%	928,344	832,213
Resolution 2471 (PESA)	Oct 25	Pre-fixed	3.00%	3.00%	76	84
Credit Notes	Oct 20	CDI	15.19%	13.00%	264,882	717,478
Finame/Leasing	Nov 14	Pre-fixed	5.22%	4.90%	93,225	96,653
Finame/Leasing	-	URTJLP	-	11.20%	-	3
Rural credit	Jun 16	Pre-fixed	6.50%	6.50%	62,726	67,176
Certificate of Agribusiness Receivables ("CRA")	Jun 21	CDI	14.13%	12.60%	1,295,798	605,109
Certificate of Agribusiness Receivables ("CRA")	Dec 21	IPCA + interest	13.41%	14.30%	119,776	110,247
<i>Schuldschein</i>	Oct 21	Pre-fixed - EUR	2.88%	2.90%	271,083	230,413
<i>Schuldschein</i>	Sep 22	<i>Euribor</i>	1.98%	2.10%	374,563	138,380
Other	Other	Dollar (US\$)	-	-	71,372	209,507
					<u>12,931,646</u>	<u>11,983,382</u>
Expenses incurred with the placement of the securities:						
Term Loan Agreement					(25,283)	(28,233)
CRA					(21,335)	(11,619)
<i>Schuldschein</i>					(16,308)	(7,488)
Prepayments					(6,121)	(1,717)
BNDES					(4,780)	(4,379)
Debentures					(3,455)	(4,532)
Senior notes due 2017					(1,563)	(6,443)
Rural credit					(75)	(68)
Credit Notes					-	(310)
					<u>(78,920)</u>	<u>(64,789)</u>
					<u>12,852,726</u>	<u>11,918,593</u>
Current					<u>(1,639,509)</u>	<u>(1,386,583)</u>
Non-current					<u>11,213,217</u>	<u>10,532,010</u>

- (1) The annual effective interest rate is the contract rate plus, *Libor*, *Euribor*, *URTJLP*, *IGP-M*, *UMBND*, *IPCA* e *CDI*, where applicable.
- (2) Loans and financing are usually secured by Group's promissory notes. In some cases they are endorsed by shareholders, and security interest is offered such as: (i) receivables from energy sale agreements National Bank for Social and Economic Development ("BNDES"); (ii) CTN (Note 7) and mortgage of land (PESA); (iii) property, plant and equipment; and, (iv) conditional sale of assets purchased under a *FINAME* financing agreement.

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Installments falling due in the long term, less the amortization of expenses incurred with the placement of securities, have the following schedule:

	<u>2016</u>
<b>In months:</b>	
13-24	1,928,276
25-36	2,352,672
37-48	1,466,576
49-60	3,382,325
61-72	1,611,653
73-84	348,157
85-96	98,999
From 97	24,559
	<u>11,213,217</u>

### PESA - Resolution 2471

In the period from 1998 to 2000, RESA renegotiated with several financial institutions its debts related to financing of agricultural costs, reducing their financial cost to annual interest rates lower than 11.92%, ensuring amortization of debt with granting and transfer of National Treasury Certificates, redeemable upon debt settlement, using incentive promoted by Brazilian Central Bank Resolution no. 2,471, of February 26, 1998. Said debt may be settled through redemption of CTN's and compliance with contract provisions, as mentioned in Note 7.

### Senior notes due 2017

On January 26, 2007, RESA, through its subsidiary Raízen Energy Finance Limited, issued Senior Notes in the international market according to "Regulations S and 144A", in the amount of US\$ 400,000 thousand, which are subject to interest of 7% p.a., payable on a half-annual basis in February and August every year. During the year ended March 31, 2016, RESA paid US\$ 195,943 thousand and US\$ 29,943 thousand as principal and interest, respectively.

### BNDES

Correspond to funds raised by the Group and substantially destined to financing co-generation projects greenfield, brownfields, renewal and implementation of new sugarcane fields (*Prorenova*) and construction of plant for E2G production.

On March 31, 2016, the Group had available credit facilities of financing from BNDES, unused, amounting to R\$ 243,094 (R\$ 593,473 in 2015). The use of these credit facilities depends on the fulfillment of certain contractual conditions.

## **RAÍZEN Group**

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### **Credit Notes**

Credit notes will be settled through exports to be made up to 2020 and are subject to average interest of 15.19% p.a. payable on a half-annual basis and on maturity.

During the year ended March 31, 2016, amounts of R\$ 450,000 of principal and R\$ 99,824 of interest were settled in advance.

### **Finame**

Refers to financings of machinery and equipment through several financial institutions, intended for fixed asset investments. These financings are subject to effective interest of 5.22% p.a., monthly paid and are guaranteed by mortgage of the financed assets.

### **Term Loan Agreement (unionized loan)**

On April 8, 2014, the Group contracted unionized loans from several financial institutions in the amount of US\$ 600,000 thousand. Said contract is subject to North-American dollar exchange rate variation and quarterly Libor interest plus annual fixed interest of 1.4%, resulting in effective average interest rate of 2.02% p.a. with final maturity in March 2019.

In addition, on March 30, 2015, indirect subsidiary Raízen Luxembourg S.A. contracted a loan from a syndicate comprised of several global commercial banks in the amount of R\$1,443,600 (US\$ 450,000 thousand). Said contract is subject to North-American dollar exchange rate variation and quarterly Libor interest plus annual fixed interest of 1.2%, resulting in effective average interest rate of 1.83% p.a. with quarterly maturity. The principal matures on April 27, 2020. Through this syndicate, the Group also obtained a Revolving Credit Facility of US\$ 285,000 thousand, also maturing on April 27, 2020.

### **PPEs**

In 2013, RESA entered into PPE contracts with several institutions for financing of future sugar export. Said contracts are subject to North-American dollar exchange rate variation and quarterly Libor interest resulting in effective average interest rate of 2.13% p.a. with final maturity in September 2017.

In October 2015, RCSA contracted two loans in the amount of R\$ 797,600, equivalent to US\$ 200,000 thousand, with fixed interest rate varying from 3.63% to 3.64% p.a. and final maturity on September 29, 2020.

In addition, in November and December 2015, RCSA contracted two new PPE's in the amount of R\$ 388,780, equivalent to US\$ 100,000 thousand. These contracts bear quarterly Libor interest plus annual average interest of 1.67%, resulting in effective average interest rate of 2.29% p.a., with final maturity in November and December 2021.

## RAÍZEN Group

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As of December 15, 2015, the RESA, through its subsidiary Tarumã, signed a new loan agreement in the amount of R\$ 192,740, equivalent to US\$ 50,000 thousand. This PPE bears half-annual Libor interest plus annual interest of 1.80%, resulting in effective average interest rate of 2.55% p.a., with final maturity on December 15, 2020.

#### **Certificate of Agribusiness Receivables - CRA**

In October 2014, RESA issued CPR (Rural Producer Note) linked to Public Distribution of the 1<sup>st</sup> and 2<sup>nd</sup> series of 10<sup>th</sup> issuance of CRA's of Gaia Agro Securitizadora S.A., in the amount of R\$675,000 and maturity in December 2021.

According to the Announcement of the End of the Public Distribution of the First Series of the 14<sup>th</sup> Issuance by Gaia Agro Securitizadora, disclosed on June 16, 2015, RESA completed the issuance of CRAs to raise R\$ 675,000, restated at 100% of CDI. About such operation, issuing costs in the amount of R\$ 11,888 will be amortized by the maturity date.

Final destination of funds raised is RESA and its subsidiaries' activities, which are exclusively related to agribusiness, in the ordinary course of its business, which is understood as transactions, investments and financing needs related to production, trading, processing or industrialization of agricultural products and inputs or of machinery and equipment used in agricultural activity, pursuant to the terms of single paragraph of Article 23 of Law no. 11.076.

#### **Debentures**

In October 2013, CVM granted to RESA, registration of its 1<sup>st</sup> Public Issuance of Simple Debentures through which 750,000 simple, unsecured debentures, not convertible into shares were issued in three series, with par value of R\$ 1,000, totaling R\$ 750,000.

Net funds obtained from issuance of debentures, in the amount of R\$ 747,710, were fully used to (i) strengthen RESA's cash in relation to 1<sup>st</sup>-series debentures and 2<sup>nd</sup>-series debentures; and (ii) pay part of RESA's investment costs related to 2013/2014 crop both in agricultural and industrial areas, pursuant to the terms of Law no. 12.431, in relation to 3<sup>rd</sup> series debentures.

Breakdown of series is as follows:

	<u>Index</u>	<u>Annual interest rate</u>	<u>Effective average annual interest rate</u>	<u>Principal</u>	<u>Date of receipt</u>	<u>Maturity</u>
Series	CDI	0.89%	15.15%	105,975	10/25/2013	Oct 18
Series	CDI	0.94%	15.20%	340,000	10/28/2013	Oct 18
Series	IPCA	6.38%	14.15%	304,025	10/29/2013	Oct 20

## RAÍZEN Group

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### Schuldschein

In October 2014, RCSA entered into new financing through its subsidiary Raízen Fuels Finance Limited in the amount of € 66,000 thousand with fixed interest rate of 2.88% p.a. and final maturity on October 15, 2021.

In addition, in January 2015, RCSA entered into new financing through its subsidiary Raízen Fuels Finance Limited in the amount of € 40,000 thousand with fixed annual interest rate of 2% p.a. and quarterly Euribor interest, resulting in effective average rate of 1.86% p.a. and final maturity on January 20, 2022.

On September 21, 2015, RCSA entered into new financing through its subsidiary Raízen Fuels Finance Limited in the amount of € 60,000 thousand with fixed annual interest rate of 2.07% p.a. and final maturity on September 21, 2022.

### Covenants

The companies of the Group are not subject to comply with financial ratios, being subject only to certain covenants in loans and financing contracts, such as “cross-default” and “negative pledge”, which are being fully complied with by the Group.

### Fair value

As of March 31, 2016 and 2015, the fair value of the Senior Notes Due 2017 is based on the price quotations in the secondary market at the reporting date (Note 23.i), and the book value and fair value of such loans are as follows:

	<u>Book value</u>		<u>Fair value</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Senior Notes Due 2017	732,987	1,291,478	758,641	1,385,577

Also, on March 31, 2016, debts Term Loan Agreement (partial) and *Schuldschein* are presented net of amounts R\$ 18,832 and R\$ 33,561, respectively, and PPE's are presented with addition of R\$ 837 deriving from evaluation at fair value. Such debts evaluated at fair value total R\$ 3,694,212 (Notes 22 and 23.i).

Other loans and financing do not have a quoted value; however their fair value approximates their carrying amount due to their exposure to variable interest rates and insignificant changes in the Group's credit risk, which is shown by comparison to the quoted instruments presented above (Note 23.i).

## RAÍZEN Group

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### 15. Income and social contribution taxes

#### a) Reconciliation of income and social contribution tax expenses:

	<u>2016</u>	<u>2015</u>
Income before income and social contribution taxes	3,447,881	1,684,704
Income tax and social contribution at nominal rate (34%)	(1,172,280)	(572,799)
Adjustments for calculation of effective rate:		
Interest on own capital	68,729	64,615
Equity income of subsidiaries	(22,403)	(6,882)
Gifts, donations, class association	(7,055)	(5,985)
Reintegration	9,404	17,442
Investment subsidy - ICMS	13,825	20,249
Presumed net income regimen entities taxation difference	68,981	57,179
Reversal of taxes deferred upon corporate reorganization	(381)	67,843
Capital gain due to dilution of shareholding interest (Note 9.b)	5,298	10,313
Foreign exchange rate variation on investee abroad	5,828	9,787
Tax loss and negative basis unrecognized from subsidiaries	(27,628)	8
Income from foreign company - rate difference	(24,197)	5,921
Other	11,965	(823)
Expense from income tax and social contribution	<u>(1,069,914)</u>	<u>(333,132)</u>
Effective rate	31.0%	19.8%

#### b) Income and social contribution taxes recoverable

	<u>2016</u>	<u>2015</u>
Taxes on income ("IRPJ")	701,253	416,260
Social contribution ("CSLL")	<u>237,882</u>	<u>143,331</u>
	939,135	559,591
Current assets	<u>(378,215)</u>	<u>(51,231)</u>
Non-current assets	<u>560,920</u>	<u>508,360</u>

In August 2013, the entities of the Group opted for the taxation regime whereby income and social contribution taxes are prepaid on gross revenue estimates, leading to positive fluctuations in the balances of recoverable income tax. Prepaid income and social contribution taxes are currently being offset against other federal taxes (PIS, COFINS and IOF).

As mentioned in Note 8.a.3, on March 31, 2016, RCSA recognized tax credits originated from IRPJ and CSLL overpayment by Shell in 2010 and 2011 in the amount of R\$ 258,250 with recognition of corresponding liability, as they must be reimbursed to referred shareholder.

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#### c) Income and social contribution taxes payable

	<u>2016</u>	<u>2015</u>
IRPJ	71,212	11,366
CSLL	45,731	10,367
	<u>116,943</u>	<u>21,733</u>

#### d) Deferred income tax and social contribution in assets and liabilities:

<u>Assets (liabilities)</u>				<u>2016</u>	<u>2015</u>
	<u>Base</u>	<u>IRPJ 25%</u>	<u>CSLL 9%</u>	<u>Total</u>	<u>Total</u>
Tax losses	1,653,608	413,402	-	413,402	268,147
Negative basis for social contribution tax	1,698,733	-	152,886	152,886	102,973
Temporary differences:					
Foreign exchange variation	1,128,991	282,248	101,609	383,857	559,466
Provision for right to exclusive supply	558,938	139,735	50,304	190,039	145,766
Tax goodwill deriving from downstream merger	258,429	64,607	23,259	87,866	136,798
Provision for goodwill write-off	288,547	72,137	25,969	98,106	98,106
Remuneration and employee benefits	344,988	86,247	31,049	117,296	98,485
Provisions for legal disputes	413,124	103,281	37,181	140,462	108,697
Provisions and other temporary differences	624,750	155,376	57,039	212,415	184,363
Total deferred tax assets		<u>1,317,033</u>	<u>479,296</u>	<u>1,796,329</u>	<u>1,702,801</u>
Amortized tax goodwill	(1,768,547)	(442,137)	(159,169)	(601,306)	(561,650)
Fixed assets' useful life	(1,082,585)	(270,646)	(97,433)	(368,079)	(320,911)
Derivatives	(557,579)	(139,395)	(50,182)	(189,577)	(317,231)
Fair value of property, plant and equipment	(628,565)	(157,141)	(56,571)	(213,712)	(233,060)
Fair value of intangible assets	(286,697)	(71,674)	(25,803)	(97,477)	(104,915)
Cost of capitalized loans	(287,315)	(71,829)	(25,858)	(97,687)	(100,045)
Biological assets	(671,909)	(167,977)	(60,472)	(228,449)	(14,211)
Total deferred tax liabilities		<u>(1,320,799)</u>	<u>(475,488)</u>	<u>(1,796,287)</u>	<u>(1,652,023)</u>
Total deferred taxes		<u>(3,766)</u>	<u>3,808</u>	<u>42</u>	<u>50,778</u>
Deferred taxes - Assets, net				233,018	326,178
Deferred taxes - Liabilities, net				(232,976)	(275,400)
Total deferred taxes				<u>42</u>	<u>50,778</u>

#### e) Net changes in deferred taxes:

	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year	50,778	252,289
Income (expenses) in profit or loss	(411,369)	51,292
Deferred taxes recognized in other comprehensive income	282,494	(12,962)
Recognition of NOL and GW tax credits by Shell (Note 8.3)	78,124	-
Deferred taxes on business combinations	-	(23,456)
Reversal of deferred taxes	-	1,300
Merger of subsidiaries	-	4,486
Use of tax losses and negative basis for social contribution for REFIS settlement	-	(222,492)
Other	15	321
Balance at the end of the year	<u>42</u>	<u>50,778</u>

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### f) Realization of deferred tax assets:

When evaluating deferred taxes' recoverability, Management considers future taxable income projections and the timing of reversals of temporary differences. When it is not probable that part of or all taxes will be realized, assets are not recognized. Possibility of using tax losses and negative bases' balances does not expire, but the use of these losses accumulated in prior years is limited to 30% of taxable annual income.

<u>Years:</u>	<u>2016</u>
2017	785,900
2018	131,163
2019	115,339
2020	142,413
2021 onwards	<u>621,514</u>
<b>Total</b>	<b><u><u>1,796,329</u></u></b>

On March 31, 2016, subsidiaries Agrícola Ponte Alta Ltda., Raízen Biotecnologia S.A. and Blueway Trading Importação e Exportação Ltda. presented tax losses and social contribution negative bases' balance amounting to R\$ 15,371 (R\$17,049 in 2015) for which no deferred tax assets were established, as their recoverability is not considered as probable.

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### 16. Provision for legal disputes and judicial deposits

#### Breakdown of legal disputes considered as probable loss

When RAÍZEN Group was setup it was agreed that Cosan and Shell would reimburse the Group for legal disputes that were ongoing before its formation, as these disputes are actually settled. On March 31, 2016 and 2015, balance of said claims to be reimbursed and claims that are not reimbursable is as follows:

	<u>2016</u>	<u>2015</u>
Tax	289,673	292,691
Civil	194,164	218,582
Labor	222,084	209,225
Environmental	55,695	54,533
	<u>761,616</u>	<u>775,031</u>
Non-reimbursable legal disputes	110,837	91,811
Reimbursable legal disputes	<u>650,779</u>	<u>683,220</u>
	<u>761,616</u>	<u>775,031</u>

The arrangements made for Raízen's setup also established that RESA and RCSA should refund the court deposits made before Raízen's setup to the shareholders Cosan and Shell, when these deposits are actually withdrawn. On March 31, 2016 and 2015, balance of said refundable deposits and deposits that are not refundable is as follows:

	<u>2016</u>	<u>2015</u>
Tax	204,039	205,715
Civil	40,664	26,578
Labor	48,762	44,502
	<u>293,465</u>	<u>276,795</u>
Own judicial deposits	41,083	52,061
Reimbursable judicial deposits	<u>252,382</u>	<u>224,734</u>
	<u>293,465</u>	<u>276,795</u>

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#### i) Non-reimbursable legal disputes

	<u>Tax</u>	<u>Civil</u>	<u>Labor</u>	<u>Environmental</u>	<u>Total</u>
March 31, 2015	17,950	5,856	64,878	3,127	91,811
Provisions (i)	32,492	2,490	37,156	1,701	73,839
Write-offs/ Reversals (i)	(304)	(1,260)	(28,195)	(769)	(30,528)
Payments	(487)	(227)	(157)	(521)	(1,392)
Offset (ii)	(46,645)	-	-	-	(46,645)
Interest (iii)	17,418	1,056	5,265	13	23,752
March 31, 2016	<u>20,424</u>	<u>7,915</u>	<u>78,947</u>	<u>3,551</u>	<u>110,837</u>

- (i) Recorded in profit or loss for the year in the heading "Other operating income, net" (Note 21), except for: (a) by recording of a provision for INSS on billing at RESA, in the amount of R\$ 30,750 (R\$ 31,546 in 2015), reclassified from caption Taxes payable in current liabilities, and by RCSA provisions accounted for in income for the year under captions Taxes, deductions and rebates on sales and General and administrative expenses, in the amount of R\$3,210 (R\$ 2,636 in 2015);
- (ii) Includes the offset against judicial deposits;
- (iii) Recorded in income (loss) for the year in the heading Financial results.

#### ii) Reimbursable legal disputes (1)

	<u>Tax</u>	<u>Civil</u>	<u>Labor</u>	<u>Environmental</u>	<u>Total</u>
March 31, 2015	274,741	212,726	144,347	51,406	683,220
Provisions (i)	20,470	50,673	30,027	18,639	119,809
Write-offs/ Reversals (i)	(25,753)	(36,250)	(36,077)	(7,985)	(106,065)
Payments	(16,568)	(96,952)	(3,889)	(7,831)	(125,240)
Offset against judicial deposits	(2,857)	-	-	-	(2,857)
Interest	19,216	56,052	8,729	(2,085)	81,912
March 31, 2016	<u>269,249</u>	<u>186,249</u>	<u>143,137</u>	<u>52,144</u>	<u>650,779</u>

- (1) The changes had no and will never have effect on Group's profit or loss.

#### iii) Total legal disputes

	<u>Tax</u>	<u>Civil</u>	<u>Labor</u>	<u>Environmental</u>	<u>Total</u>
March 31, 2015	292,691	218,582	209,225	54,533	775,031
Provisions	52,962	53,163	67,183	20,340	193,648
Write-offs/ Reversals	(26,057)	(37,510)	(64,272)	(8,754)	(136,593)
Payments	(17,055)	(97,179)	(4,046)	(8,352)	(126,632)
Offset against judicial deposits	(49,502)	-	-	-	(49,502)
Interest	36,634	57,108	13,994	(2,072)	105,664
March 31, 2016	<u>289,673</u>	<u>194,164</u>	<u>222,084</u>	<u>55,695</u>	<u>761,616</u>

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### (a) Tax

	<u>2016</u>	<u>2015</u>
INSS (i)	2,336	2,166
ICMS (ii)	35,150	65,639
IPI (iii)	88,045	83,170
PIS and COFINS (iv)	35,318	34,286
Lawyers' fees (v)	55,040	39,802
IRPJ and CSLL (vi)	69,002	63,075
CIDE and other (vii)	4,782	4,553
	<u>289,673</u>	<u>292,691</u>
Non-reimbursable legal disputes	20,424	17,950
Reimbursable legal disputes	<u>269,249</u>	<u>274,741</u>
	<u>289,673</u>	<u>292,691</u>

#### (i) INSS

The amount recorded as provision for INSS corresponds to amounts related to social security contributions levied on billing, pursuant to the terms of Article 22-A of Law no. 8.212/91, whose constitutionality is being challenged in a lawsuit. RESA made escrow deposits related to lawsuit in the amount of R\$ 212,789. Accordingly, both balances are presented net in these financial statements.

#### (ii) ICMS (Value-added tax on sales and services)

Amount recorded as provision for ICMS is substantially represented by: (a) received tax assessments that, despite being defended in the administrative and legal spheres, are considered as probable loss by the Group's legal advisors; and (b) using finance credits and charges in matters on which understanding of the Group's management and tax advisors differ from tax authorities' interpretations.

#### (iii) IPI

Amount recorded as a provision for IPI is represented by: (a) tax assessment received referring to imported merchandise; and (b) offset of credits deriving from inputs used in exempt shipments.

#### (iv) PIS and COFINS

Amount recorded as a provision for PIS and COFINS credits is as follows: (a) contribution of period from 1997 to 1999 referring to merger of company; and (b) offset referring to IPI credits used to offset PIS and COFINS deriving from inputs used in exempt shipments.

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### **(v) Lawyers' fees**

The Group contracts law firms to defend it in civil, tax and labor lawsuits. Some contracts provide for attorneys' remuneration as a percentage on successful lawsuit value. The Group records a provision for amounts payable to law firms referring to lawsuits whose likelihood of loss is possible or remote. Amount currently recorded as a provision refers mainly to lawsuits whose financial responsibility is borne by Shell, as they were originated in a period prior to the Group's establishment and, therefore, are reimbursable.

### **(vi) IRPJ and CSLL**

These refer to decisions related to different offsets (Perdcomp) related to IPI credits used to offset IRPJ and CSLL. Said offset stopped being homologated because a tax assessment notice was issued to stop recognition of credits based on the fact that, in the period from January 2008 to September 2010, (i) RCSA did not segregate and pay IPI owed at the rate of 8% on certain transactions classified in TIPI (table of IPI levy), and (ii) RCSA did not reverse IPI credits referring to inputs used for industrialization of certain products classified in TIPI, considering that shipment of such products are not taxed. In first item, controversy occurs due to divergence about classification of products as oil by-products and, in the second item, it occurs because authorities do not recognize the right to maintain IPI credits on shipment transactions that are exempt or not taxed.

### **(vii) Economic Domain Intervention Contribution (CIDE)**

RCSA recorded a provision for CIDE on services provided in oil and natural gas exploration and production activities carried out before the Group's establishment, whose balance on March 31, 2016 totals R\$171,515. Owed amounts were deposited in escrow, at the same amount. RCSA will be fully reimbursed by Shell in case it actually is obliged to pay CIDE to tax authorities. Accordingly, both balances are presented net in these financial statements.

## **(b) Civil, labor and environmental**

The Group is party to various civil actions consisting of (i) damages for material losses and pain and suffering; (ii) disputes on contracts; (iii) class action to stop the burning of sugar cane straw; (iv) enforcements of environmental decisions; (v) reparation of environmental damages causes by fuel leakages and, (vi) discussions about contracts, real estate and recovery of credits, and the last two topics include contract breaches, possession of the Group's properties and recovery of amount not paid by clients.

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The Group is also party to several labor complaints filed by former employees and employees of service providers who demand, among other things, payment for overtime work, night shift premium and hazardous duty premium, readmission into the job, return of payroll discounts, such as trade union optional and mandatory contributions, among others.

The main environmental actions are related to environmental remediation to be carried out at gas stations, distribution hubs, airports and client distribution centers and they include the removal of contaminated material, treatment of the land, laboratory tests and post-remediation monitoring.

**Legal disputes whose likelihood of loss is considered possible for which no provision was recognized in financial statements.**

**(a) Tax**

	<u>2016</u>	<u>2015</u>
ICMS (i)	3,538,878	2,859,646
INSS (ii)	461,618	396,246
IPI (iii)	482,576	438,601
IRPJ and CSSL (vi)	1,666,108	721,811
PIS and COFINS (v)	1,754,305	1,548,162
Offset with IPI credits - Regulatory Instruction no. 67/98 (vi)	124,737	119,891
Other	865,008	259,690
	<u>8,893,230</u>	<u>6,344,047</u>
Non-reimbursable legal disputes	1,051,244	317,109
Reimbursable legal disputes	7,841,986	6,026,938
	<u>8,893,230</u>	<u>6,344,047</u>

In case a reimbursable provision for these lawsuits has to be recognized in the future due to change in loss expectation, or to any other reason, the Group will immediately record amount receivable from shareholders at the same amount and, therefore, the Group's statement of income will not be impacted. In case this provision is not reimbursable, the Group will record it as a charge to the statement of income in which change occurs.

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RAÍZEN Group's possible losses may be summarized as follows:

### **(i) ICMS (Value-added tax on sales and services)**

Refers substantially to: (i) part related to fine of tax assessment issued due to alleged lack of ICMS payment and non-compliance with accessory obligation, in agricultural partnership for on-demand industrialization in periods from May 2005 to March 2006 and from May 2006 to March 2007; (ii) ICMS levied on crystal sugar for export that, as understood by tax agent, is classified as semi-finished product and, in accordance with ICMS regulation, would be subject to taxation; (iii) ICMS levied on alleged divergences on sugar and ethanol inventories deriving from comparison between magnetic tax files and inventory registration books; (iv) tax assessment related to charge of ICMS rate difference deriving from ethanol sales to companies located in other states of the Federation, which had their state registrations canceled; (v) requirement of ICMS deriving from disallowances of diesel credits used in agricultural-industrial production process; (vi) lack of reversal of ICMS credits; (vii) lack of full reversal of ICMS-ST credits; (viii) non-compliance with certain accessory obligations; (ix) discussion on alleged difference between inventories when volumes informed to ANP and volumes informed in LRCPE are compared.

### **(ii) INSS**

Possible legal disputes related to INSS involve mainly: (i) questioning about legality and constitutionality of MPS/SRP Regulatory Instruction no. 3 of 2005, which restricted constitutional immunity of social security contributions on revenues from export exclusively to direct sales and started to tax exports carried out through trading companies; (ii) requirement of contribution to SENAR in direct and indirect export transactions for which Federal Revenue Service ("RFB") understands that constitutional immunity does not apply; and, (iii) mandatory payment of social security contribution on resale of merchandise in domestic market and to third parties that are not included in calculation basis of social contribution levied only on gross revenue from establishment production and not from acquired merchandise.

### **(iii) IPI**

SRF Regulatory Instruction no. 67/98 supported procedure adopted by industrial establishments that made shipments without recording and paying IPI related to transactions with cane sugars: demerara, high-quality crystal, special crystal, extra special crystal, and granulated refined sugar carried out in the period from July 6, 1995 to November 16, 1997, and with refined amorphous sugar in the period from January 14, 1992 to November 16, 1997. This standard was carried into effect in the respective proceedings brought by RFB, whose likelihood of loss is classified as not more likely yes than no, according to the assessment of the Group's legal advisors.

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### (iv) IRPJ and CSLL

This refers, substantially, to tax assessment notices, issued by the Federal Revenue Service of Brazil charging IRPJ and CSLL for prior financial years, relating to: (i) deductibility of amortization expenses of determined goodwill; (ii) offset of tax losses and a negative calculation base of CSLL; and (iii) the taxation on differences in the revaluation of assets comprising property, plant, and equipment; e, (iv) receivable tax assessments that linked to the Exploration and Production Shell business, added in March 2016, related of withholding tax on foreign remittances and improper tax of goodwill amortization. The Group has contested these charges at the competent spheres.

### (v) PIS and COFINS

This refers, substantially, the rejection of PIS and CONFINS credits, in the non-cumulative system, provided for in the Laws 10.637/2002 and 10.833/2003, respectively. These rejections arise, in summary, due to the restrictive interpretation of the Secretariat of the Federal Revenue Service in regard to the concept of “inputs” as well as differences regarding the interpretation of the referred to laws. Such questions are still at the administrative level.

### (vi) Offsets with IPI credit - IN 67/98

SRF Regulatory Instruction Number 67/98 brought with it the possibility of a refund of IPI collected in the period from January 14, 1992, to November 16, 1997, on amorphous refined sugar. Accordingly, RESA, for the periods in which payment was made, it pleaded to offset amounts against other taxes due. However, the Federal Revenue Service dismissed requests for restitution as well as an offset. Thus, RESA administratively appealed against the dismissal.

After notification of payment of debts object to an offset in view of the changes introduced by IN SRF Number 210/02, RESA filed a writ of mandamus with an injunction request to suspend the enforceability of offset taxes, with the aim of impeding the Public Administration from executing these debts. The injunction was granted by the competent court, and the probability of loss is considered not more likely yes than no by the Management.

## (b) Civil, labor and environmental

	<u>2016</u>	<u>2015</u>
Civil	918,857	1,164,457
Labor	673,463	521,751
Environmental	44,484	30,842
	<u>1,636,804</u>	<u>1,717,050</u>
Non-reimbursable legal disputes	474,057	343,261
Reimbursable legal disputes	1,162,747	1,373,789
	<u>1,636,804</u>	<u>1,717,050</u>

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### 17. Commitments

#### Sales

The Group, by means of RESA, controls entities operating in the sugar and ethanol business as well as electric energy cogeneration. Sales contracts are managed on a consolidated basis, associated with the business and are not tied to a specific entity. Therefore, the whole Group in conjunction with its subsidiaries is responsible for all of the sales commitments.

Sales in the commodity market made substantially on the date of the sale price. However, the Group has several agreements in the market of sugar and ethanol committing itself to selling certain volumes in future crops.

Sugar sales commitments, in tons, on March 31, 2016, are as follows:

2017	2,450,414
2018	514,000
2019	514,000
2020	514,000
Total	<u>3,992,414</u>

Ethanol sales commitments, in cubic meters, on March 31, 2016, are as follows:

2017	2,077,194
2018	491,169
Total	<u>2,568,363</u>

RCSA has diesel sales contracts with third parties.

Diesel sales commitments, in cubic meters, on March 31, 2016, are as follows:

2017	405,500
2018	405,500
2019	405,500
2020	405,500
2021 onwards	1,216,500
Total	<u>2,838,500</u>

Sale of electric energy commitments, in MWh, on March 31, 2016, are as follows:

2017	2,027,861
2018	1,876,707
2019	1,958,175
2020	1,958,175
2021 onwards	11,725,481
Total	<u>19,546,399</u>

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### Purchasing

RESA has various purchase commitments for sugarcane with third parties in order to guarantee part of its production in subsequent harvests. The amount of sugarcane to be acquired is calculated based on the estimated amount per milled area. The amount to be paid by the Group is determined at the end of each harvest, according to prices published by the CONSECANA (Council of Sugarcane, Sugar and Ethanol Producers in the São Paulo State - Brazil).

Purchase commitments per crop, in tons, on March 31, 2016, are as follows:

2017	28,944,060
2018	25,349,006
2019	20,945,206
2020	16,941,142
2021 onwards	<u>72,875,184</u>
Total	<u><u>165,054,598</u></u>

RESA has contracts to purchase industrial equipment with the purpose of maintenance and expansion of plants, as well as to meet the needs of electric energy cogeneration projects, totaling R\$ 91,004.

RCSA has fuel purchase agreements with third parties in order to secure part of its trading future.

Purchase commitments per crop for ethanol, diesel, gasoline, jet fuel and biodiesel, in cubic meters, on March 31, 2016, are as follows:

2017	4,128,343
2018	450,000
2019	<u>360,000</u>
Total	<u><u>4,938,343</u></u>

RCSA also has contracts for rail transportation, road, and ferry services, with the purpose of transporting fuel from the supply bases to the service stations. The amount to be paid by RCSA is determined according to the price agreed in the contract. Purchase commitments per crop, in cubic meters transported, on March 31, 2016, are as follows:

2017	2,103,825
2018	2,280,343
2019	2,059,695
2020	2,068,295
2021 onwards	<u>6,128,595</u>
Total	<u><u>14,640,753</u></u>

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### Warehousing services

RCSA has stockpiling service contracts for fuels with third parties, in accordance with logistics and storage objectives of fuels in certain regions. Stockpile commitments per crop, in cubic meters, on March 31, 2016, are as follows:

2017	2,558,092
2018	1,008,326
2019	577,300
2020 onwards	<u>231,300</u>
Total	<u><u>4,375,018</u></u>

### Contracts of sharecropping and land leasing

RESA has sharecropping and land leasing contracts for sugarcane plantations, which shall end in 20 years.

Payments for these obligations are calculated by means of an ATR disclosed by CONSECANA and the volume of sugarcane per hectare as defined in the contract.

The expected, non-cancellable, payments on these contracts, are as follows:

Up to 1	614,809
1-5	1,671,469
>5	<u>1,076,825</u>
Total	<u><u>3,363,103</u></u>

## 18. Equity

### a) Share capital

#### a.1) RESA

As mentioned in Note 1.c, in Special Shareholders' Meeting held on August 31, 2015, Shell and Cosan's shareholders decided and approved RESA's capital increase of R\$1,500,000 in domestic currency through issuance of 1,340,687,564 new nominative common shares, carried out proportionately to each 50% shareholder.

## RAÍZEN Group

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As of March 31, 2016, RESA's share capital is R\$ 6,516,354 (R\$ 5,016,354 in 2015). As of March 31, 2016 and 2015, that caption does not include the balance of redeemable preference shares in the amount of R\$ 93,300, totaling R\$ 6,423,054 (R\$ 4,923,054 in 2015). Share capital is fully subscribed for and paid in and is divided as follows:

	Shareholders (shares in units)			
	Shell	CIP	Cosan	Total
Common	3,621,641,599	3,621,641,599	-	7,243,283,198
Class A preferred shares	-	-	1	1
Class B preferred shares	-	-	133,242,457	133,242,457
Class C preferred shares	663,476	-	-	663,476
Class D preferred shares	100,000	-	-	100,000
Total at March 31, 2016	3,622,405,075	3,621,641,599	133,242,458	7,377,289,132
Total at March 31, 2015	2,952,061,293	2,951,297,817	133,242,458	6,036,601,568

### Redeemable preference shares in RESA

As mentioned in Note 8.a.3, the tax benefits resulting from NOL and Goodwill balances recognized before the Raízen formation (Note 1), should be refund to the shareholders as the Group use them as a decrease in balances of the taxes payable.

The refunds of these NOL amounts are through payment of dividends in the amount of the tax benefits used by the Group from the period from January to December every year for the Class B preferred shares to Cosan and the Class C and D preferred shares to Shell.

As of March 31, 2016 and 2015, the balance of preferred shares (Classes B and C) calculated in equity under Share capital, totaled R\$ 93,300, of which R\$ 89,672 belongs to Cosan shareholder and R\$ 3,538 belongs to Shell shareholder (Note 8.a.3).

### a.2) RCSA

As mentioned in note 1.c, in Extraordinary Shareholders' Meeting held on August 31, 2015, Shell and Cosan's shareholders decided and approved redemption of 1,641,750,012 common shares against share capital decrease of R\$1,500,000, carried out proportionately to the interest held by each of the shareholders, that is, corresponding to 50% of common shares of each one.

As of March 31, 2016, RCSA's share capital is R\$ 1,843,720 (R\$ 3,343,720 in 2015). As of March 31, 2016 and 2015, it does not include the balance of redeemable preference shares in the amount of R\$ 10,732, totaling R\$ 1,832,988 (R\$ 3,194,918 in 2015).

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

Share capital is fully subscribed for and paid in and is divided as follows:

	Shareholders (shares in units)			
	Shell	CIP	Cosan	Total
Common	830,709,236	830,709,236	-	1,661,418,472
Class A preferred shares	1	-	-	1
Class B preferred shares	-	-	93,648,276	93,648,276
Class B preferred shares	88,746,249	-	-	88,746,249
Class D preferred shares	100,000	-	-	100,000
Class E preferred shares	174,038,252	-	-	174,038,252
Total at March 31, 2016	<u>1,093,593,738</u>	<u>830,709,236</u>	<u>93,648,276</u>	<u>2,017,951,250</u>
Total at March 31, 2015	<u>1,914,468,744</u>	<u>1,651,584,242</u>	<u>93,648,276</u>	<u>3,659,701,262</u>

### Redeemable preference shares in RCSA

The tax benefits arising from the utilization of NOL balances generated by Shell before the formation of the RCSA, as well as tax benefits arising from goodwill tax amortization from Cosan's contribution and also the tax benefits arising from the utilization of Pis and Confins credits from the contribution of Fix Investimentos Ltda. (investment company of the subsidiary Raizen Mime Combustíveis S.A.), should be refunded to the respective shareholders of RCSA to use as a decrease of the balances of taxes payable. These refunds required the issue of Class A preferred shares solely for Fix, class B for COSAN and class C, D and E for Shell with the purpose of compensating them through the payment of dividends in the amount of the tax benefit used by RCSA during the calendar year, from January to December, each year.

As mentioned in Note 8.a.3, during year ended March 31, 2016, RCSA recognized Shell's supplementary NOL and GW balances in the amount of R\$ 78,124, calculated in 2010 and 2011.

At the Special Shareholders' Meeting held on December 30, 2015, the shareholders of RCSA approved the creation of class E preferred shares, as well as the conversion of 174,038,252 class C preferred shares, owned by Shell, into class E preferred shares. This new class of shares aims to repay the shareholder Shell by using RCSA tax credits originating for the highest payment of IRPJ and CSLL, between the months of January 2010 and May 2011, totaling R\$ 258,250 (Notes 8.a.3 and 15.b).

On March 31, 2016, RCSA accrued dividends payable for the use of NOL and GW, relative to the calendar year of 2015 of R\$ 138,070 (Note 8.a.3), by reducing capital reserve. This transaction did not generate changes in equity.

As of March 31, 2016 and 2015, the remaining balance of preferred shares payable to Shell and Cosan, in equity totals R\$ 10,732 and R\$ 148,802, respectively.

## **RAÍZEN Group**

**Notes to the combined consolidated  
financial information as of March 31, 2016**  
(In thousands of Reais - R\$, unless otherwise stated)

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### **b) Capital reserves**

#### **Capital reserve**

Mainly consists of goodwill resulting from the difference between the subscription price paid for the shares and their nominal values. The reserve may only be used to increase capital, absorb losses, redeem, reimburse or purchase shares or to pay cumulative dividends to preference shares.

As mentioned in Note 18.a.2, on March 31, 2016, the RCSA recorded refund, in current liabilities, exclusive to the shareholder holding preferred shares Class C, depending on the use of NOL and GW on the calendar year 2015 in the amount of R\$ 138,070, upon reduction of this reserve.

#### **Goodwill special reserve**

Share premium results from downstream mergers in the Group that became deductible for income and social contribution tax purposes. Therefore, the Group recognized goodwill special reserve as an effect of downstream mergers and as an offsetting entry to deferred tax assets that is equivalent to the 34% tax benefit resulting from the amortization of this goodwill.

### **c) Dividends and interest on own capital (“JCP”)**

Dividends are not determined by the calculations of the combined consolidated financial statements, but using the individual financial information of RESA and RCSA.

Bylaws of RESA and RCSA assure shareholders a minimum mandatory dividend of 1% of net income at the end of fiscal year, adjusted pursuant to LSA.

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

The individual calculations for the year ended March 31, 2016, and 2015, were determined as follows:

#### • RESA

	<u>2016</u>	<u>2015</u>
Net income for the year	1,185,644	110,999
(-) Formation of legal reserve - 5%	(59,283)	(5,550)
(-) Effect of subsidiary tax incentives	(139,885)	-
Dividend distribution calculation basis	<u>986,476</u>	<u>105,449</u>
Common shares		
Minimum mandatory dividend - 1%	9,865	1,054
Dividends to holders of Class B preferred shares	-	15,221
Dividends to holders of Class D preferred shares	-	791
Total provisioned dividends	<u>9,865</u>	<u>17,066</u>
Dividends and interest on own capital - remaining	<u>125,000</u>	<u>34,000</u>
Total in the Parent Company and Consolidated of RESA	<u><u>134,865</u></u>	<u><u>51,066</u></u>

Changes in dividends and interest on own capital payable, are as follows:

#### • RCSA

	<u>2016</u>	<u>2015</u>
Net income for the year	1,164,287	1,202,294
(-) Formation of legal reserve - 5% (Note 16.e.i)	-	(60,113)
Dividend distribution calculation basis	<u>1,164,287</u>	<u>1,142,181</u>
Common shares		
Minimum mandatory dividend - 1%	11,643	11,422
(-) Interest on equity	(184,500)	(190,500)
(-) Dividends paid in advance	(943,285)	(539,360)
Dividends and interest on own capital - remaining	<u>140,050</u>	<u>-</u>
Preferred shares	<u>729</u>	<u>74,412</u>
Total in Parent Company of RCSA	<u>140,779</u>	<u>74,412</u>
Dividends payable to non-controlling shareholders	<u>9,150</u>	<u>9,545</u>
Total in the Consolidated of RCSA	<u><u>149,929</u></u>	<u><u>83,957</u></u>

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

Changes in balances of liabilities from dividends and interest on own capital are as follow:

Companies	Dividend	Settlement period	Approval on Extraordinary Shareholders meeting	Type and class of share	Gross amount	No impact in equity	Net amount
RESA	Interest on own capital	Year ended March 31, 2014	12/31/2013	Ordinary	-	-	34,000
RCSA	Intermediary dividends	Retained earnings	04/24/2015	Ordinary	225,000	-	225,000
Mime	Intermediary dividends	01/04/14 to 31/03/15	04/29/2015	Ordinary	9,231	3,975	13,206
Sabbá	Reversal ordinary dividends	Year ended March 31, 2015	08/14/2015	Ordinary	(2,372)	3,866	1,494
RCSA	Ordinary dividends	Retained earnings	07/31/2015	Ordinary	98,060	-	98,060
RCSA	Intermediary dividends	01/04/15 to 30/06/15	07/31/2015	Ordinary	169,032	-	169,032
RCSA	Interest on own capital	Retained earnings	07/31/2015	Ordinary	18,400	-	15,640
RCSA	Interest on own capital	01/04/15 to 30/06/15	07/31/2015	Ordinary	57,000	-	48,450
RCSA	Intermediary dividends	01/07/15 to 31/12/15	10/22/2015	Ordinary	178,153	-	178,153
RCSA	Interest on own capital	01/07/15 to 31/12/15	10/22/2015	Ordinary	38,300	-	32,555
RCSA and RESA	Exclusive dividends	Year ended March 31, 2015	07/31/2015	Preferred B	-	-	30,347
RCSA	Exclusive dividends	Year ended March 31, 2015	07/31/2015	Preferred C	-	-	58,495
RCSA and RESA	Exclusive dividends	Year ended March 31, 2015	07/31/2015	Preferred D	-	-	1,582
RESA	Exclusive dividends	Year ended March 31, 2015	07/31/2015	Ordinary	-	-	1,054
RCSA	Intermediary dividends	01/10/15 to 30/11/15	12/15/2015	Ordinary	255,100	-	255,100
RCSA	Interest on own capital	01/10/15 to 30/11/15	12/15/2015	Ordinary	23,200	-	19,720
RCSA	Interest on own capital	01/01/15 to 30/09/15	12/15/2015	Ordinary	21,700	-	18,445
RCSA	Interest on own capital	01/12/15 to 31/12/15	12/31/2015	Ordinary	11,300	-	9,605
RCSA	Intermediary dividends	01/12/15 to 31/12/15	01/13/2016	Ordinary	229,000	-	229,000
RESA	Intermediary dividends	Retained earnings	01/13/2016	Ordinary	260,700	-	260,700
Sabbá	Complementary dividends	Year ended March 31, 2015	03/18/2016	Ordinary	2,372	(878)	1,494
<b>Dividends and interest on own capital paid during the year</b>							<b>1,701,13</b>
RCSA	Intermediary dividends	01/01/16 a 29/02/16	03/18/2016	Ordinary	112,000	-	112,000
RCSA	Interest on own capital	01/01/16 a 29/02/16	03/18/2016	Ordinary	33,000	-	28,050
RESA	Ordinary dividends	Retained earnings	03/18/2016	Ordinary	125,000	-	125,000
RCSA	Provision of minimum obligatory dividendum	Year ended March 31, 2016	-	Preferred D	729	-	729
RESA	Provision of minimum obligatory dividendum	Year ended March 31, 2016	-	Preferred D	9,865	-	9,865
Mime	Provision of minimum obligatory dividendum	Year ended March 31, 2016	-	Ordinary	4,799	-	4,799
Sabbá	Provision of minimum obligatory dividendum	Year ended March 31, 2016	-	Ordinary	4,351	-	4,351
<b>Dividends and interest on own capital payable combined consolidated as of March 31, 2016</b>							<b>284,794</b>
<b>Impacts of dividends and interest on own capital on combined consolidated equity</b>					<b>1,883,92</b>		

## RAÍZEN Group

Notes to the combined consolidated  
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### d) Equity valuation adjustment

#### i) Actuarial gain (loss)

Corresponds to gains and losses and adjustments for experience and changes in actuarial assumptions on the defined benefit pension plan. This component is recognized in other comprehensive income and will not be reclassified to profit or loss in subsequent periods.

#### ii) Income from financial instruments designated as hedge accounting

Corresponds to changes in fair value resulting from cash flow hedges of export income from VHP sugar, exchange fluctuations of ACCs and PPEs and fuel imports.

#### iii) Effect of foreign currency translation - CTA

Corresponds to translation differences of the financial information of investees with a functional currency different from the Real, which is the functional currency of both RESA and RCSA.

#### iv) Changes in equity valuation adjustments

The changes in equity valuation adjustments are shown as follows:

	<u>2015</u>	<u>Comprehensive income</u>	<u>2016</u>
Effect of foreign currency translation - CTA	1,377	56	1,433
Actuarial gains (losses) arising from the defined benefit pension plan	(9,556)	464	(9,092)
Net gains (losses) from financial instruments designated as hedge accounting	<u>22,832</u>	<u>(548,794)</u>	<u>(525,962)</u>
	<u>14,653</u>	<u>(548,274)</u>	<u>(533,621)</u>
Attributable to:			
Group's controlling shareholders	14,663	(548,274)	(533,611)
Group's non-controlling shareholders	(10)	-	(10)
	<u>2014</u>	<u>Comprehensive income</u>	<u>2015</u>
Effect of foreign currency translation - CTA	842	535	1,377
Actuarial losses arising from the defined benefit pension plan	(234)	(9,322)	(9,556)
Net (losses) gains from financial instruments designated as hedge accounting	<u>(11,452)</u>	<u>34,284</u>	<u>22,832</u>
	<u>(10,844)</u>	<u>25,497</u>	<u>14,653</u>
Attributable to:			
Group's controlling shareholders	(10,844)	25,507	14,663
Group's non-controlling shareholders	-	(10)	(10)

## **RAÍZEN Group**

**Notes to the combined consolidated  
financial information as of March 31, 2016**  
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### **e) Profit reserves**

#### **i) Legal reserve**

The legal reserve consists of the allocation of 5% of the profit reported in the year, according to the by-laws of RESA and RCSA, parent company and in compliance with Corporate Law.

On March 31, 2016, as established by the Corporation Law, RCSA did not allocate 5% of net income to the caption of its legal reserve, since the legal reserves and capital, together, exceeded 30% of the share capital.

#### **ii) Profit retention reserve**

As mentioned in Note 18.c, at Special Shareholders' Meetings held on April 24 and 31 July (RCSA) and on January 13 and March 18, 2016 (RESA), dividends and interest on own capital were approved, amounting to R\$ 727,160, partially using the balance of retained earnings of the Group.

The remaining balance of the Group's profit, after the appropriations made to set up the legal reserve and to accrue dividends was recognized in this account. Under RESA's and RCSA's by-laws, up to 80% of the year's profit may be allocated to that reserve, to fund operations and to new investments and projects, which may not exceed the percentage of 80% of share capital.

#### **iii) Tax incentive reserve**

The tax incentive reserve consists of incentives recognized in RESA's indirect subsidiary, Raízen Caarapó Açúcar e Alcool Ltda. ("Caarapó") in the amount of R\$ 18,669, arising from Agreement 331/2008 entered into between Caarapó and the state of Mato Grosso do Sul, whereby a tax benefit on the processing of sugar in that state is granted in an amount equivalent to 67% of the ICMS debt balance.

On March 31, 2016, RESA recorded the recurring effect of the incentives through the subsidiary Raízen Centroeste amounting to R\$ 121,216, arising from the state incentive program in the State of Goiás, in the form of financing part of the ICMS payment, named "Industrial Development Program of Goiás - Produce", with the subsequent discharge of the amount financed.

For the years ended March 31, 2016 and 2015, the value of incentives that had an impact on the combined consolidated result was R\$ 31,318 and, R\$ 50,217, respectively, recognized in Other operating income, net (Note 21).

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reals - R\$, unless otherwise stated)

#### 19. Net operating revenue

	<u>2016</u>	<u>2015</u>
Gross revenue from sales and services	76,965,695	67,540,999
Taxes, deductions and rebates on sales (1)	<u>(2,856,508)</u>	<u>(2,448,270)</u>
Net operating revenue	<u>74,109,187</u>	<u>65,092,729</u>

(1) As of March 31, 2016, includes amortizations related to exclusive supply rights in the amounts of R\$ 309,898 (R\$ 266,043 in 2015).

The net operating revenue is segregated between the following components:

	<u>2016</u>	<u>2015</u>
Net revenue from sales and services	73,927,705	65,056,894
Gains (losses) on financial instruments designated as hedge accounting	425,903	(609,011)
Gains (losses) with commodities derivatives	<u>(244,421)</u>	<u>644,846</u>
Net operating revenue	<u>74,109,187</u>	<u>65,092,729</u>

#### 20. Costs and expenses by type

##### Reconciliation of costs and expenses by nature

Costs and expenses are recognized in the combined consolidated statement of profit or loss by function. The reconciliation of the Group's results by nature for the year ended March 31, 2016 and 2015:

##### a) Costs and expenses by type:

	<u>2016</u>	<u>2015</u>
Fuels - resales	(60,062,299)	(52,422,760)
Raw materials	(4,146,893)	(4,057,160)
Depreciation and amortization (1)	(2,100,251)	(2,115,123)
Personnel expenses	(1,648,498)	(1,439,779)
Cutting, loading and transportation - CCT	(748,782)	(685,931)
Freight	(289,456)	(277,667)
Commercial expenses	(333,020)	(330,579)
Maintenance materials	(382,211)	(371,168)
Outsourced labor	(273,094)	(264,142)
Rental and leases	(302,654)	(262,138)
Change in fair value of biological assets	637,936	(32,697)
Resale of energy	(61,688)	(112,284)
Logistics expenses	(111,684)	(92,278)
Telecommunications	(22,648)	(21,737)
Other expenses (2)	<u>(709,069)</u>	<u>(547,340)</u>
	<u>(70,554,311)</u>	<u>(63,032,783)</u>

(1) Does not include the amortization of exclusive supply rights that are recognized as sales deductions and rebates (Note 19).

(2) This includes the income from Investment subsidy - ICMS of R\$ 9,328 (R\$ 9,340 in 2015).

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

#### b) Classified as:

	<u>2016</u>	<u>2015</u>
Cost of products sold and services rendered	(67,815,344)	(60,487,102)
Selling	(1,814,897)	(1,675,793)
General and administrative expenses	(924,070)	(869,888)
	<u>(70,554,311)</u>	<u>(63,032,783)</u>

#### 21. Other operating income, net

	<u>2016</u>	<u>2015</u>
Income from rental and leases	116,620	130,452
Gain in the sale of property, plant and equipment	70,981	132,825
Income from royalties	54,250	52,533
Merchandising	54,239	43,834
Gain in the fair value of shares (i)	-	40,366
Income from investment grants - ICMS	31,318	50,217
Commissions on sales of lubricants and cards	31,067	42,988
Capital gain on dilution of ownership interest (Note 9.b.iv)	15,583	30,333
Store rental revenue	14,707	16,913
Provision (reversal) for losses in property, plant and equipment and intangible assets, net (Notes 11 and 12)	1,869	(63,738)
Formation of provision for legal disputes, net	(9,351)	(8,330)
Other income, net	17,189	1,761
	<u>398,472</u>	<u>470,153</u>

(i) On March 31, 2015, RESA recognized the gain from the sale of the shares held in Codexis.

#### 22. Financial results

	<u>2016</u>	<u>2015</u>
<u>Financial expenses</u>		
Interest	(832,521)	(663,398)
Other	(25,397)	(23,531)
PIS and COFINS credits on financial income	(37,313)	-
Liability monetary variation	(158,120)	(71,668)
	(1,053,351)	(758,597)
Less: amounts capitalized on qualifying assets (Note 11)	34,923	40,636
Fair value of financial instrument (Note 14)	49,556	-
	<u>(968,872)</u>	<u>(717,961)</u>
<u>Financial income</u>		
Interest	306,061	227,101
Yields from financial investments	359,037	248,278
Monetary variation - assets and others	66,723	16,998
	<u>731,821</u>	<u>492,377</u>
<u>Foreign exchange rate, net (i)</u>	<u>(373,960)</u>	<u>(1,319,651)</u>
<u>Net effect of the derivatives (ii)</u>	<u>171,435</u>	<u>720,082</u>
	<u>(439,576)</u>	<u>(825,153)</u>

(ii) Includes foreign exchange, net losses on assets and liabilities denominated in foreign currency; and,

(iii) Includes realized results and unrealized with options, swaps and NDFs and other derivatives.

## **RAÍZEN Group**

**Notes to the combined consolidated  
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### **23. Financial instruments**

#### **a) Overview**

The Group has exposure to the following market risks:

- Price risk
- Foreign exchange rate risk
- Interest rate risk
- Credit risk
- Liquidity risk

#### **b) Risk management structure**

The Group has specific treasury and trading policies that set risk management guidelines.

The Group has two main committees to monitor activities and ensure policy compliance: (i) A risk committee whose members gather weekly to analyze the behavior of commodity and foreign exchange markets and decide on coverage positions and the strategy to fix the prices of sugar exports to reduce the negative effects of changes in prices and foreign exchange rate; and, (ii) an ethanol committee whose members gather monthly to assess the risks posed by the sale of ethanol and to comply with the limits set on risk policies.

The Group is exposed to market risks, as follows: (i) fluctuations in sugar and ethanol prices; (ii) fluctuations in foreign exchange rates; and, (iii) fluctuations in interest rates. The purchases of financial instruments for hedging purposes are made according to an analysis of the risk exposure that Management intends to cover.

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reals - R\$, unless otherwise stated)

As of March 31, 2016 and 2015, the fair values of transactions with derivative financial instruments for hedging and other purposes were determined according to observable data, such as prices quoted in active markets or discounted cash flows according to market curves and are presented below:

	<u>Notional</u>		<u>Fair value</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Price risk				
Commodity derivatives				
Futures contracts	2,425,895	1,660,432	(392,352)	409,316
	<u>2,425,895</u>	<u>1,660,432</u>	<u>(392,352)</u>	<u>409,316</u>
Foreign exchange rate risk				
Foreign exchange rate derivative;				
Futures contracts	546,895	(820,443)	5,080	(3,281)
Forward contracts	2,802,293	(1,580,467)	291,758	231,589
Foreign exchange lock	494,014	(5,974)	40,382	1,191
Foreign exchange swap	(6,233,931)	(2,685,844)	392,357	256,170
	<u>(2,390,729)</u>	<u>(5,092,728)</u>	<u>729,577</u>	<u>485,669</u>
Interest rate risk				
Futures contracts	-	710,000	-	(408)
Interest rate swap	(622,808)	(561,400)	(6,715)	(4,321)
	<u>(622,808)</u>	<u>148,600</u>	<u>(6,715)</u>	<u>(4,729)</u>
Total			<u>330,510</u>	<u>890,256</u>
Current assets			638,079	875,205
Non-current assets			597,653	315,279
Total assets			<u>1,235,732</u>	<u>1,190,484</u>
Current liabilities			(579,278)	(243,997)
Non-current liabilities			(325,944)	(56,231)
Total liabilities			<u>(905,222)</u>	<u>(300,228)</u>
Total			<u>330,510</u>	<u>890,256</u>

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

#### c) Price risk

Price risks result from the possibility of fluctuations in the market prices of the products sold by the Group, mainly raw sugar (sugar #11), refined sugar (sugar #5 or white sugar), heating oil and ethanol. These price fluctuations may cause substantial changes in the income statement. To mitigate these risks, the Group permanently monitors markets, seeking to anticipate price changes. The table below shows the positions of derivative instruments to cover the risk of fluctuations in commodity prices:

Price risk: commodity derivatives open on March 31, 2016							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair value (R\$ thousand)
Future	Sold	NYSE LIFFE	Sugar#5	Jul16-Nov16	32,650 t	43,437	(7,389)
Future	Sold	ICE	Sugar#11	Jun16-Jun17	2,861,394 t	3,072,006	(420,620)
Future	Sold	OTC	Sugar#11	Jun16-Sep16	- t	-	(10,273)
Sub-total sugar future sold					2,894,044 t	3,115,443	(438,282)
Future	Purchased	NYSE LIFFE	Sugar#5	Feb16-Apr16	(2,250) t	(3,144)	354
Future	Purchased	ICE	Sugar#11	Jun16-Sep17	(372,686) t	(436,676)	13,933
Sub-total sugar future bought					(374,936) t	(439,820)	14,287
Sub-total sugar future					2,519,108 t	2,675,623	(423,995)
Future	Sold	BM&FBovespa	Ethanol	Feb16-Nov16	61,950 m <sup>3</sup>	92,895	537
Future	Sold	CHGOETHNL	Ethanol	Apr16-Sep16	97,600 m <sup>3</sup>	503	2,650
Future	Sold	NYMEX	Ethanol	Apr16-May16	4,000 m <sup>3</sup>	7,469	624
Sub-total ethanol future sold					163,550 m <sup>3</sup>	100,867	3,811
Future	Purchased	BM&FBovespa	Ethanol	Feb16-Sep16	(36,990) m <sup>3</sup>	(59,675)	(308)
Future	Purchased	CHGOETHNL	Ethanol	Apr16-Sep16	(108,000) m <sup>3</sup>	(543)	1,751
Future	Purchased	NYMEX	Ethanol	Mar16	(1,000) m <sup>3</sup>	(1,940)	-
Sub-total ethanol future bought					(145,990) m <sup>3</sup>	(62,158)	1,443
Physical fixed	Sold	CHGOETHNL	Ethanol	Apr16-Sep16	296,989 m <sup>3</sup>	498,000	(16,892)
Sub-total physical fixed ethanol sold					296,989 m <sup>3</sup>	498,000	(16,892)
Physical fixed	Purchased	CHGOETHNL	Ethanol	Apr16-Sep16	(311,724) m <sup>3</sup>	(481,920)	33,190
Sub-total physical fixed ethanol bought					(311,724) m <sup>3</sup>	(481,920)	33,190
Sub-total ethanol future					2,825	54,789	21,552
Physical fixed	Purchased	NYMEX	Ethanol	May16-Jul16	(279,300) m <sup>3</sup>	(304,517)	10,091
Sub-total physical fixed diesel bought					(279,300) m <sup>3</sup>	(304,517)	10,091
Sub-total diesel future					(279,300)	(304,517)	10,091
Net exposure of derivatives of goods as of March 31, 2016						2,425,895	(392,352)
Net exposure of derivatives of goods as of March 31, 2015						1,660,432	409,316

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

#### d) Foreign exchange rate risk

Exchange rate risks arise from the possibility of fluctuations in the exchange rates used by the Group for export revenues, imports, financing cash flows and other foreign currency assets and liabilities. The Group uses derivative transactions to manage cash flow risks resulting from export revenues denominated in US dollars, net of other cash flows also denominated in foreign currency. The table below shows the positions outstanding as of March 31, 2016, for derivatives used to cover foreign exchange rate risks:

Foreign exchange rate risk: outstanding foreign exchange derivatives as of March 31, 2016							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair value (R\$ thousand)
Future	Sold	BM&FBovespa	Trade dollar	Apr16-May16	554,750	1,985,037	26,710
Future	Sold	BM&FBovespa	DDI	Jan17	93,000	330,978	(2,267)
Subtotal future sold					647,750	2,316,015	24,443
Future	Purchased	BM&FBovespa	Trade dollar	Apr16-May16	(402,250)	(1,438,142)	(21,630)
Future	Purchased	BM&FBovespa	DDI	Jan16	(93,000)	(330,978)	2,267
Subtotal future bought					(495,250)	(1,769,120)	(19,363)
Subtotal future bought/sold					152,500	546,895	5,080
Term	Purchased	OTC/Cetip	NDF	Apr16-Feb17	(1,078,990)	(3,949,007)	(171,996)
Term	Sold	OTC/Cetip	NDF	Apr16-Mai-16	1,750,000	6,751,300	463,754
Subtotal term bought/sold					671,010	2,802,293	291,758
Foreign exchange swap	Purchased	OTC	Foreign exchange swap	Apr16-Sep22	(2,322,390)	(8,265,154)	301,252
Foreign exchange swap	Sold	OTC	Foreign exchange swap	Mar19-Jan22	570,745	2,031,223	91,105
Subtotal exchange swap					(1,751,645)	(6,233,931)	392,357
FOREIGN EXCHANGE LOCK	Sold	OTC	FOREIGN EXCHANGE LOCK	Jul16-Oct16	120,000	494,014	40,382
Subtotal foreign exchange lock					120,000	494,014	40,382
Net exposure of foreign exchange derivatives as of March 31, 2016					(808,135)	(2,390,729)	729,577
Net exposure of foreign exchange derivatives as of March 31, 2015					(1,645,136)	(5,092,728)	485,669

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

On March 31, 2016, and 2015, the summary of the quantitative data on net exposure to foreign exchange risk of the Group is presented below:

	2016		2015	
	R\$	US\$ (in thousands)	R\$	US\$ (in thousands)
Cash and cash equivalents (Note 3)	845,111	237,464	409,428	127,628
Restricted cash (Note 4)	671,214	188,602	30,651	9,555
Accounts receivable - Abroad (Note 5)	119,822	33,668	130,575	40,703
Related parties	(108,794)	(30,570)	(9,231)	(2,878)
Loans and financing (Note 14)	(6,873,488)	(1,931,352)	(6,115,042)	(1,906,185)
Derivative financial instruments (Note 23.d) (1)	-	808,135	-	1,645,136
Other	-	-	(21,790)	(6,792)
Net foreign exchange exposure		(694,053)		(92,833)
Derivatives settled in the subsequent month Closing (2)		-		(225,000)
Net foreign exchange exposure, adjusted (3)		(694,053)		(317,833)

(1) Refers to the notional foreign exchange derivative transactions.

(2) Maturities in April 2016, whose settlement was given by PTAX on the last closing day of the month.

(3) The net foreign exchange exposure, this will be substantially offset by probable future revenues of export products.

#### e) Effects of hedge accounting

The Group formally designates its transactions subject to hedge accounting using derivative financial instruments to hedge cash flows. Hedges are assigned to sugar and ethanol incomes, the cost of import of derivatives and foreign currency debt, documenting: (i) the hedging relationship, (ii) the Group's risk management purpose and strategy when entering into the hedging instrument, (iii) the identification of the financial instrument, (iv) the covered object or transaction, (v) the nature of the risk to be covered, (vi) the description of the hedging relationship, (vii) the relationship between the hedging instrument and the covered item, and (viii) the retrospective and prospective testing of the effectiveness of the hedging instrument.

As of March 31, 2016, the impacts recognized in the Group's equity and the estimated realization in profit or loss are shown below:

Derivative	Market	Risk	March 31, 2016		
			Years for realization		
			2016/17	2017/18	Total
Future	OTC / ICE	Sugar#11	(328,680)	(70,356)	(399,036)
Future	BMF&BOVESP	Ethanol	1,771	-	1,771
Future	NYMEX	Heating Oil	(6,285)	-	(6,285)
Term	OTC / ICE	Foreign exchange	(53,689)	-	(53,689)
ACC and PPE	Debt	Foreign exchange	(339,670)	-	(339,670)
			(726,553)	(70,356)	(796,909)
(-) Deferred taxes			247,028	23,921	270,946
Effect on equity in 2016			(479,525)	(46,435)	(525,963)

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

Derivative	Market	Risk	March 31, 2015		
			Years for realization		
			2015/16	2016/17	Total
Future	OTC / NYBOT	Sugar#11	388,130	7,318	395,448
Future	BMF&BOVESP	Ethanol	(178)	-	(178)
ACC and PPE	Debt	Foreign exchange	(360,658)	-	(360,658)
			27,294	7,318	34,612
(-) Deferred taxes			(9,292)	(2,488)	(11,780)
Effect on equity in 2015			18,002	4,830	22,832

Below are the changes in the balances of other comprehensive income during the year:

#### Cash flow hedge

Balances at March 31, 2015	22,832
Gains/losses during the year:	
Losses on the fair value of futures commodities contracts designated as hedge accounting	(276,590)
Losses on the fair value of forward exchange agreements designated as hedge accounting	(42,307)
Losses on the foreign exchange variation of debt contracts designated as hedge accounting	(339,670)
Realization of losses on the income of commodities in net operating revenues	(525,758)
Realization of gain on the income of debt contracts in net operating revenues	360,652
Realization of losses on financial instruments considered not effective hedge accounting	(5,983)
Others	(1,874)
Total of changes during the year (before deferred taxes)	(831,530)
Effect of deferred taxes on equity valuation adjustment	282,735
	(548,795)
Balance at March 31, 2016	(525,963)

#### f) Interest rate risk

RAÍZEN Group monitors fluctuations in interest rates applied to certain debts, particularly those exposed to the Libor risk, and uses derivative instruments to manage those risks. The table below shows the positions outstanding as of March 31, 2016 and 2015, for derivatives used to cover interest rate risks:

Interest rate risk: Interest derivatives, outstanding as of March 31, 2016							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (US\$ thou.)	Notional (R\$ thousand)	Fair value (R\$ thousand)
Interest rate swap	Purchased	OTC	Interest rate swap	Sep17-Mar19	(175,000)	(622,808)	(6,715)
Sub-total interest rate swap					(175,000)	(622,808)	(6,715)
Net exposure of interest derivatives as of March 31, 2016					(175,000)	(622,808)	(6,715)
Net exposure of interest derivatives as of March 31, 2015					46,322	148,600	(4,729)

## **RAÍZEN Group**

**Notes to the combined consolidated  
financial information as of March 31, 2016**  
(In thousands of Reais - R\$, unless otherwise stated)

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### **g) Credit risk**

A substantial part of the Group's sales are made to a select group of highly qualified counterparties, such as trading companies, fuel distribution companies and major supermarket chains.

The Group manages credit risk by following specific client acceptance standards, analyzing client credit standing and setting exposure limits per client, requiring, when applicable, letters of credit of top tier banks and taking security interest in assets as security for payment of the credit facilities granted to clients. Management considers that the credit risk is substantially covered by the allowance for impairment in respect of trade and other receivables.

Individual risk limits are determined according to internal and external classifications and the limits set by Group's Management. The use of credit limits is regularly monitored. No credit limit was exceeded during the year, and Management does not expect any loss from default by these counterparties in amounts higher than those already provided for.

The Group enters into commodity derivative agreements in futures markets and options at the New York Board of Trade - NYBOT and at the London International Financial Futures and Options Exchange - LIFFE, as well as in over-the-counter markets with selected counterparties. The Group enters into foreign exchange rate and commodity derivative agreements at BM&FBovespa and over-the-counter agreements registered with CETIP, mainly with the leading local and foreign banks considered by global credit risk rating agencies to have investment level ratings.

**Guarantee margins** - Derivative transactions in commodity exchanges (NYBOT, LIFFE, and BM&FBovespa) require guarantee margins. The total combined consolidated margin deposited as of March 31, 2016 is R\$ 892,043 (R\$ 112,145 in 2015), of which R\$ 136,116 (R\$ 68,945 in 2015) is in restricted financial investments and R\$ 755,927 (R\$ 43,200 in 2015) in derivative transaction margins.

The Group's over-the-counter derivative transactions do not require a guarantee margin.

The credit risk on cash and cash equivalents is mitigated by the conservative distribution of investment funds and CDBs (Note 3). The distribution follows strict criteria for allocation and exposure to counterparties that are major national and international banks, mainly considered investment grade by international rating agencies.

### **h) Liquidity risk**

Liquidity risk is the risk of the Group encountering difficulties in performing the obligations associated with its financial liabilities that are settled using cash payments or with another financial asset. The Group's approach in liquidity management is to guarantee, as much as possible, that it always has sufficient liquidity to perform its obligations upon maturity, under normal and stress conditions, without causing unacceptable losses or with a risk of sullyng the Groups' reputation. As part of its liquidity management process, Management prepares a business plan and monitors its execution, discussing upside and downside risks to cash flows and assessing the availability of funding to support its operations, investments and refinancing requirements.

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

The table below shows the financial liabilities according to their aging schedules:

	March 31, 2016				
	Years				
	Up to 1	Up to 2	3-5	>5	Total
Loans and financing (1)	1,764,679	2,169,075	9,469,176	2,960,386	16,363,316
Suppliers (Note 13)	1,665,971	-	-	-	1,665,971
Derivative financial instruments (Note 23.b)	579,278	116,352	86,160	123,432	905,222
Related parties (Note 8.a)	860,980	-	-	1,240,405	2,101,385
Total at March 31, 2016	4,870,908	2,285,427	9,555,336	4,324,223	21,035,894

(1) Undiscounted contractual cash flows.

#### i) Fair value

Fair value of financial assets and liabilities is the value by which the instrument may be exchanged in a current transaction between parties that are willing to negotiate, and not in a forced sale or settlement. The methods and assumptions used to estimate the fair value are described below.

The fair value of cash and cash equivalents, accounts receivable, other financial assets, accounts payable, related parties and other short-term obligations approximate their carrying amount due to the short-term maturity of these instruments. Fair value of other long-term assets and liabilities do not significantly differ from their carrying amounts.

The fair value of loans and financing approximate the amounts recognized in the financial statements because these financial instruments are subject to variable interest rates (Note 14). The fair value of the tradable Senior Notes is based on prices quoted on the reporting date of the financial statements. On March 31, 2016, the market value of Senior Notes due 2017 (Note 14) was 104.13% (107.25% in 2015 and 110.43% in 2014) of face value.

Derivatives are valued using valuation techniques with observable market data and refer, mainly, to swaps of interest rates, foreign exchange forward contracts, and forward commodity contracts. The valuation techniques applied often include pricing models and swaps contracts, with present value calculations. The models incorporate various data, including the credit quality of counterparties, foreign exchange spot, and forward rates, interest rate curves, and forward rate curves of the object commodity.

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

The categories of financial instruments are as follows:

	Rating	Carrying amount		Fair value	
		2016	2015	2016	2015
<b>Financial assets</b>					
Cash and cash equivalents, except financial investments (Note 3)	Loans and receivables	862,530	357,429	862,530	357,429
Interest earnings bank deposits (Note 3)	Fair value through profit or loss	3,510,101	3,670,801	3,510,101	3,670,801
Restricted cash (Note 4)	Loans and receivables	874,605	188,624	874,605	188,624
Trade accounts receivable (Note 5)	Loans and receivables	2,064,367	1,903,428	2,064,367	1,903,428
Derivative financial instruments (2) (Note 23.b)	Fair value through profit or loss	1,235,732	1,190,484	1,235,732	1,190,484
Related parties (Note 8)	Loans and receivables	1,204,993	1,250,763	1,204,993	1,250,763
Other financial assets (Note 7)	Loans and receivables	1,455,470	981,351	1,455,470	981,351
		<u>11,207,798</u>	<u>9,542,880</u>	<u>11,207,798</u>	<u>9,542,880</u>
<b>Financial liabilities</b>					
Loans and financing (1) (Note 14)	Amortized cost	(9,158,514)	(11,918,593)	(9,184,168)	(12,012,692)
Loans and financing (1) (Note 14)	Fair value through profit or loss	(3,694,212)	-	(3,694,212)	-
Derivative financial instruments (2) (Note 23.b)	Fair value through profit or loss	(905,222)	(300,228)	(905,222)	(300,228)
Suppliers (note 13)	Amortized cost	(1,665,971)	(1,329,591)	(1,665,971)	(1,329,591)
Related parties (Note 8)	Amortized cost	(2,101,385)	(1,194,700)	(2,101,385)	(1,194,700)
		<u>(17,525,304)</u>	<u>(14,743,112)</u>	<u>(17,550,958)</u>	<u>(14,837,211)</u>

(1) Reported net of expenses incurred with the placement of the securities

(2) As of March 31, 2016, the caption includes derivatives designated as hedging instruments in the negative amount of R\$ 796,909 (a positive amount of R\$ 34,612 in 2015) (Note 23.e).

### Fair value hierarchy

The Group uses the following hierarchy to determine and disclose the fair values of financial instruments according to the valuation technique used:

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

Financial instruments are classified as follows:

#### Financial instruments measured at fair value (in most cases only for disclosures) on March 31, 2016

	Level 1	Level 2	Level 3	Total
Interest earning bank deposits (Note 3)	-	3,510,101	-	3,510,101
Derivative financial assets (Note 23.b)	134,665	1,101,067	-	1,235,732
Loans and financing (Note 14)	-	(3,694,212)	-	(3,694,212)
Derivative financial liabilities (Note 23.b)	(511,664)	(383,285)	(10,273)	(905,222)
Total at March 31, 2016	<u>(376,999)</u>	<u>533,671</u>	<u>(10,273)</u>	<u>146,399</u>
Total at March 31, 2015	<u>404,941</u>	<u>4,155,429</u>	<u>687</u>	<u>4,561,057</u>

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

#### j) Sensitivity analysis

We present below the sensitivity analysis of the fair value of financial instruments according to the types of risk considered relevant by the Group.

#### Assumptions for the sensitivity analysis

The Group has adopted three scenarios for the sensitivity analysis, one probable and two that may show the effects of deterioration in the fair values of the Group's financial instruments. The probable scenario was set according to the futures market curves of sugar and the US dollar as of March 31, 2016 and 2015 to determine the fair value balance of derivatives on those dates. Possible and remote adverse scenarios were set considering negative impacts of 25% and 50% on sugar and US dollar price curves, which were considered as a basis for the probable scenario.

#### Sensitivity tables

##### (1) Changes in fair value of derivative financial instruments

	<u>Risk factor</u>	<u>Impacts on 2016 results (*)</u>				
		<u>Probable scenario</u>	<u>Possible scenario + (25%)</u>	<u>Balance of fair value</u>	<u>Remote scenario + (50%)</u>	<u>Balance of the fair value</u>
<u>Price risk</u>						
Commodity derivatives						
Futures contracts:						
Purchase and sale commitments	High sugar prices	(423,995)	(772,336)	(1,196,331)	(1,544,672)	(1,968,667)
Purchase and sale commitments	Ethanol price increase	21,552	(15,914)	5,638	(31,828)	(10,276)
Purchase and sale commitments	Lower oil prices	10,091	(22,150)	(12,059)	(44,300)	(34,209)
		(392,352)	(810,400)	(1,202,752)	(1,620,800)	(2,013,152)
<u>Foreign exchange rate risk</u>						
Foreign exchange rate derivative						
Futures contracts:						
Purchase and sale commitments	Low in price of R\$/US\$	5,080	(311,468)	(306,388)	(622,936)	(617,856)
Fixed-term and Lock Contracts:						
Purchase and sale commitments	Low in price of R\$/US\$	332,140	(814,645)	(482,505)	(1,629,290)	(1,297,150)
Foreign exchange swaps:						
Purchase and sale commitments	Low in price of R\$/US\$	392,357	(581,182)	(188,825)	(1,162,364)	(770,007)
		729,577	(1,707,295)	(977,718)	(3,414,590)	(2,685,013)
<u>Interest rate risk</u>						
Interest derivatives						
Swap contracts, lock, DI, and NDF	Increase in interest rate	(6,715)	(528)	(7,243)	(1,056)	(7,771)
		(6,715)	(528)	(7,243)	(1,056)	(7,771)
Total		330,510	(2,518,223)	(2,187,713)	(5,036,446)	(4,705,936)

(\*) Results projected to occur within 12 months from March 31, 2016.

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

#### (2) Net foreign exchange exposure

The probable scenario considers the position as of March 31, 2016. The effects of the possible and remote scenarios that would be recognized in the combined consolidated statement of income as revenue or expenses on exchange rate fluctuation are as follows:

Net foreign exchange exposure as of March 31, 2016	Effect of exchange variation				
	Scenarios				
	25%	50%	-25%	-50%	
Cash and cash equivalents (Note 3)	845,111	211,278	422,556	(211,278)	(422,556)
Restricted cash (Note 4)	671,214	167,804	335,607	(167,804)	(335,607)
Accounts receivable from abroad (Note 5)	119,822	29,956	59,911	(29,956)	(59,911)
Related parties (Note 8)	(108,794)	(27,199)	(54,397)	27,199	54,397
Loans and financing (Note 14)	(6,873,488)	(1,718,372)	(3,436,744)	1,718,372	3,436,744
Impact on income (loss) for the year		(1,336,533)	(2,673,067)	1,336,533	2,673,067

#### (3) Interest rate sensitivity

The Group simulated the interest rates of floating rate loans and financing and the CDI yield on combined consolidated financial investments by applying increases and decreases of 25% and 50% as follows:

Probable scenario	March 31, 2016				
	Interest rate sensitivity				
	25%	50%	-25%	-50%	
Interest earning bank deposits	459,425	114,856	229,713	(114,856)	(229,713)
Loans and financing	(702,469)	(175,617)	(351,235)	175,617	351,235

#### k) Capital management

The Group's goal, when managing its capital structure, is to ensure that it will continue as a going concern and be able to finance investment opportunities, by keeping a healthy credit profile and offering an appropriate return to its shareholders.

The Group has relationships with large local and international banks and financial institutions, as presented below:

Agency	Scale	Rating	Outlook	Date
Fitch	National	AAA (bra)	Stable	10/15/2015
Moody's	National	Aaa.Br	Negative	05/11/2016
Standard & Poor's	National	brAAA	Negative	02/17/2016

## RAÍZEN Group

### Notes to the combined consolidated financial information as of March 31, 2016 (In thousands of Reais - R\$, unless otherwise stated)

The financial leverage ratios on March 31, 2016 and 2015 were calculated as follows:

	<u>2016</u>	<u>2015</u>
Third party capital		
Loans and financing (Note 14)	12,852,726	11,918,593
(-) Cash and cash equivalents (Note 3)	(4,372,631)	(4,028,230)
(-) Financial investments linked to financing (note 4)	(62,302)	(45,829)
(-) National Treasury Certificates - CTN (Note 7)	(627,219)	(501,794)
(-) Foreign exchange and interest rate derivatives (Note 23.b)	(722,862)	(480,940)
	<u>7,067,712</u>	<u>6,861,800</u>
Own capital		
Equity		
Attributed to the parent company's shareholders	11,155,313	11,227,763
Interest of non-controlling shareholders	169,573	152,161
	<u>11,324,886</u>	<u>11,379,924</u>
Total own capital and third-parties	18,392,598	18,241,724
Leverage ratio	<u>38%</u>	<u>38%</u>

## 24. Retirement supplementation plan

### (a) Pension fund

#### Defined contribution

The Group sponsors the Plan Beneficios Raiz, administered by Raízprev - Private Pension Plan, which is a closed non-profit complementary Pension Plan Entity (Entity).

The Entity is equipped with administrative, financial and equity autonomy, having as object the administration and implementation of benefit plans of security nature, as defined in the Regulations of Benefit Plans.

The Group has no legal or constructive obligations for further additional contributions if the plan has sufficient assets to pay all benefits or possible occurrence of a deficit.

During the year ended March 31, 2016, the contribution recognized as expense amounted to R\$ 15,100 (R\$ 16,611 in 2015).

### (b) Profit sharing

The Company recognizes a liability and a profit sharing expense based on a methodology that considers pre-defined targets to employees. The Company recognizes a provision when it is contractually compelled or when there is a past practice that created non-formalized obligation

## RAÍZEN Group

Notes to the combined consolidated  
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### 25. Insurance

The Group has an insurance program and risk management that provides consistent coverage and protection for corporate assets and operations.

The coverage is based on a careful study of risks and losses and is realized by local insurance consultants, with the type of insurance contracted considered by Management sufficient to cover any losses that might occur, given the nature of the Group's activities, and are detailed as follows:

<u>Type of insurance</u>	<u>Coverage</u>	<u>Amount of coverage</u>
Operational risks	Fire, lightning, explosion and others	6,840,068
General liability (1)	Third party complaints	220,000
		<hr/>
		7,060,068
		<hr/> <hr/>

(1) Policy contracted for Raizen Group.

### 26. Business combination and reorganization

#### Transactions during the year ended March 31, 2016

#### (i) Merger of Sampras

The Special Shareholders' Meeting held on November 16, 2015, the merger of Sampras by RCSA whose net assets on October 31, 2015, totaled R\$ 281,589, was proposed and approved. Thus, the investment of RCSA in this company was replaced by transferred equity, with the share capital unchanged, and the consequent extinction of Sampras.

That corporate restructuring did not have an impact on the combined consolidated financial statements.

#### (ii) Capital increase at Saturno

In Board meetings held on October 13 and November 27, 2015, capital increases were approved at Saturno of R\$ 3,586 and R\$ 23,420, respectively, by property contributions measured at book value.

That corporate restructuring did not have an impact on the combined consolidated financial statements.

#### (iii) Capital increase at Bio Jataí

During the year ended March 31, 2016, as a continuation of the corporate restructuring process involving the net assets of the cogeneration of electric energy of the Group, in June 2014, Bio Jataí's share capital was increased by Raízen Centroeste Açúcar e Alcool Ltda., through the contribution of its net assets at book value, relative to cogeneration of electric energy.

That corporate restructuring did not have an impact on the combined consolidated financial statements.

## RAÍZEN Group

Notes to the combined consolidated  
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### a) Transactions during the year ended March 31, 2015

#### (i) **Acquisition of Latina by RCSA**

On April 1, 2014, RCSA acquired all the shares of Latina, in the southern region of the country, of R\$ 178,336. The purpose of this acquisition was to expand the presence of the Shell brand, products, and services in the three states of the South of Brazil, in addition to improving the efficiency of the Group's distribution logistics to network stations, especially in the state of Rio Grande do Sul.

The fair value of acquired assets and assumed liabilities at the date of acquisition of Latina, are as follows:

<u>Accounts</u>	<u>Total</u>
Trade accounts receivable	49,648
Inventories	26,061
Advances to suppliers	10,443
Recoverable taxes	1,729
Judicial deposits	7,925
Deferred taxes (Note 15.e)	(16,926)
Other assets	41
Property, plant and equipment (Note 11)	27,660
Intangible assets (Note 12)	53,806
Suppliers	(13,515)
Loans and financing	(22,994)
Provision for legal disputes	(10,649)
Salaries and wages payable	(1,103)
Taxes payable	(1,481)
Other liabilities	(3,333)
Net assets	<u>107,312</u>
(-) Consideration transferred, net of cash received	<u>177,744</u>
<b>Final goodwill (Note 12)</b>	<b><u>70,432</u></b>

The fair value of acquired assets and assumed liabilities was determined based on level 3 valuation techniques.

At a meeting of partners held on the date of acquisition, the merger of Latina by the RCSA was approved.

#### (ii) **Acquisition of Cerrado**

On December 17, 2013, the RESA acquired 100% of Cerrado's shares for R\$ 47,500, plus R\$ 1,403 for reimbursements of advances related to harvest suppliers of 2014/2015, paid in cash, calculating preliminary goodwill of R\$ 33,663 for this operation. This acquisition was entered into in order to increase the Sugar cane stubble and expected synergies arising from existing RESA operations.

## RAÍZEN Group

**Notes to the combined consolidated  
financial information as of March 31, 2016**  
(In thousands of Reais - R\$, unless otherwise stated)

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During the year ended March 31, 2015, the allocation of the purchase price was concluded by Management, based on the fair value of acquired assets and assumed liabilities, as follows:

<u>Accounts</u>	<u>Total</u>
Biological assets	15,240
(-) Consideration transferred, net of cash received	48,903
<b>Preliminary goodwill</b>	<b>33,663</b>
Land lease agreements (Note 12)	4,184
Agricultural partnership agreements (Note 12)	8,119
Contracts for the supply of sugar cane (Note 12)	3,230
Deferred taxes on the appreciation of assets (Note 15)	(6,530)
	<u>9,003</u>
<b>Final goodwill</b>	<b><u>42,666</u></b>

Additionally, at the EGM of January 29, 2014, the merger of Cerrado by RESA was discussed and approved. Thus, the investment by RESA in this company was replaced by equity, leaving the share capital unchanged, with the consequent extinction of the Cerrado.

**(iii) Corporate restructuring involving net assets related to the co-generation of electricity**

In June 2014, RESA and its subsidiaries underwent a corporate restructuring, in which 11 new companies were created as holders of permits for exploitation of UTEs, RESA, and its subsidiaries underwent a capital increase of net assets at book value, relating to cogeneration of electric energy in ten of these new companies.

The aforementioned corporate restructuring produced no impact on the combined consolidated financial statements, except for the reversal of deferred taxes on temporary differences of R\$ 43,341, due to the fact that UTEs are taxed by on presumed profit regime.

**(iv) Corporate restructuring involving liquid assets related to real estate investment activity**

On November 18, 2014, Saturno was formed by means of a credit contribution in a current account made by RCSA and Sampras, of R\$ 999.00 and R\$ 1,00, respectively, paid-in on December 23, 2014.

On December 30, 2014, Saturno received an additional capital contribution of R\$ 161,067. The capital contributed by RCSA is made up of properties measured at book value.

The aforementioned corporate restructuring did not produce any impacts on the consolidated financial statements, except for the partial reversal of deferred taxes on the appreciation of RCSA's assets R\$ 24,502, because of Saturno is taxed by on presumed profit regime.

## RAÍZEN Group

Notes to the combined consolidated  
financial information as of March 31, 2016  
(In thousands of Reais - R\$, unless otherwise stated)

### (v) Corporate restructuring involving reverse merger of Curupay by TEAS

- Capital reduction in Tarumã.

On October 29, 2014 RESA approved the capital reduction of its subsidiary Tarumã through the cancellation of 419,595,977 shares, amounting to R\$ 419,596. RESA was repaid R\$ 400,000 upon payment made on October 29, 2014, and received 23,999,999 quotas issued by Curupay, amounting to R\$ 19,596, corresponding to the ownership interest of 100% of the share capital of that company.

- Capital increase of RESA in Curupay

On October 30, 2014, RESA subscribed and paid 48,554,683 quotas issued by Curupay, amounting to R\$ 48,554, in the following form: (i) Transfer of all 26,318,238 quotas that RESA had from the TEAS issue, corresponding to 66.67% of ownership interest in its share capital, the amount of R\$ 40,288, totaling an interest of 100% in share capital of TEAS; (ii) Goodwill arising from the acquisition was R\$ 7,301, received as part of the net assets contributed to the formation of the Group; and (iii) Credits from related parties amounted to R\$ 965.

- Reverse merger of Curupay by TEAS

In addition, on October 30, 2014, RESA approved the reverse merger of Curupay by TEAS. As a result of this merger, and considering that the Curupay holds 100% of the share capital of TEAS, there was a capital increase in the company through the issue of 420,432 new shares of R\$ 421, with a net balance R\$ 60,429 referring to the investment of Curupay in TEAS.

As a result of this operation, in accordance with IAS 28, RESA set up a special reserve of recurring goodwill of R\$ 2,004, equivalent to a tax benefit of 34%, which will result from the amortization of goodwill generated in the acquisition of TEAS shares, accounted for as deferred tax assets.

That corporate restructuring did not have impacts on the combined consolidated interim financial information

## 27. Cash flow supplementary information

	<u>2016</u>	<u>2015</u>
Investing activities:		
Transfer of CTC's shares as debt payment (Note 9.b.iv)	(8,250)	-
Depreciation of agricultural assets capitalized as biological assets (Note 10)	(63,235)	(75,222)
Interest capitalized in fixed assets (Notes 11 and 22)	(34,923)	(40,636)
Exclusive rights to supply fuel payable	(1,735)	(31,903)
Reversal of provisions for removal of tanks and other	1,418	3,951
Tax credits on fixed assets, including adjustment at present value of property, plant and equipment	(4,387)	10,600
	<u>(111,112)</u>	<u>(133,210)</u>
Financing activities:		
Dividends and interest on own capital payable (Note 18.c)	(284,794)	(135,023)
Capital contribution by minority shareholders with dividends	-	1,556
Capital contribution by non-controlling shareholders payable (Note 8.a)	-	7,200
	<u>(284,794)</u>	<u>(126,267)</u>

## **RAÍZEN Group**

**Notes to the combined consolidated  
financial information as of March 31, 2016**  
(In thousands of Reais - R\$, unless otherwise stated)

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### **28. Subsequent events**

#### **Issue of Certificate of Agribusiness Receivables - CRA**

According to the closure of the public distribution of the 3<sup>rd</sup> and 4<sup>th</sup> Series of the 1<sup>st</sup> Issue of RB Capital Companhia de Securitização released on May 6, 2016, Tarumã, a subsidiary of RESA, completed the issue of CRAs, raising R\$ 675,000 with a maturity in May 2023 (4<sup>th</sup> series), considering the full exercise of an Additional Lot Option (20%), in accordance with Article 14, Paragraph 2 of CVM Instruction Number 400 and full exercise of a Supplemental Lot Option (15%), in accordance with Article 24 of CVM Instruction Number 400. The financial settlement occurred on May 5, 2016.

(A free translation of the original in Portuguese)

**Raízen Group**  
**Consolidated and Combined financial statements**  
**at March 31, 2015**  
**and independent auditor's report**



(A free translation of the original in Portuguese)

### **Independent auditor's report**

To the Board of Directors and Shareholders  
Raízen Group

We have audited the accompanying consolidated and combined financial statements of Raízen Group, which comprise the consolidated and combined balance sheet as at March 31, 2015 and the consolidated and combined statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated and combined financial statements**

Management is responsible for the preparation and fair presentation of these consolidated and combined financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of consolidated and combined 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 consolidated and combined 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 consolidated and combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and combined 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 and combined 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 and combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Raízen Group

### **Opinion**

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of Raízen Group as at March 31, 2015, and their financial performance and their cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

### **Emphasis – Combination of the Financial Statement**

We draw attention to Note 2.1 (a) to the consolidated and combined financial statement, which describes that the business included in these consolidated and combined financial statements do not operate as a single entity. Therefore, this consolidated and combined financial statements does not necessarily represent the results that would have been obtained if these companies had operated as a single legal entity during the period, nor does it indicate any future results. Our opinion is not qualified in respect of this matter.

Campinas, June 22, 2015

A handwritten signature in black ink, appearing to read "Valdir Augusto de Assunção", is written over the printed name and title.

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

A large, stylized handwritten signature in black ink, appearing to read "Valdir Augusto de Assunção", is written over the printed name and title.

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

## Raízen Group

### Consolidated and combined balance sheet as at March 31

(In thousands of Brazilian Reals)

(A free translation of the original in Portuguese)

	Note	2015	2014
Assets			
Current			
Cash and cash equivalents	3	4,028,230	2,337,621
Restricted cash	4	188,624	304,582
Derivative financial instruments	26	875,205	224,476
Trade notes receivable	5	1,605,174	1,546,836
Inventories	7	1,433,947	1,390,676
Recoverable income tax and social contribution	18 a.1	51,231	369,489
Recoverable taxes and contributions	6	325,138	291,310
Dividends receivable		-	3,450
Advances to suppliers	8	214,743	212,869
Other financial assets	9	12,931	13,267
Related parties	10	334,697	352,540
Other credits		75,743	118,530
		<u>9,145,663</u>	<u>7,165,646</u>
Non-current			
Trade notes receivable	5	298,254	229,069
Derivative financial instruments	26	315,279	1,109
Other financial assets	9	968,420	890,680
Recoverable income tax and social contribution	18 a.1	508,360	-
Recoverable taxes and contributions	6	348,652	262,555
Advances to suppliers	8	55,172	21,841
Related parties	10	916,066	1,310,848
Deferred income tax and social contribution	18.b	326,178	290,695
Court deposits	19	276,795	365,807
Other credits		54,541	43,039
Investments	11	469,563	417,977
Biological assets	12	1,959,859	2,036,693
Fixed assets	13	9,496,877	9,066,051
Intangibles	14	3,854,445	3,609,046
		<u>19,848,461</u>	<u>18,545,410</u>
Total assets		<u>28,994,124</u>	<u>25,711,056</u>

## Raízen Group

### Consolidated and combined balance sheet as at March 31 (In thousands of Brazilian Reais) (continuation)

	Note	2015	2014
<b>Liabilities</b>			
<b>Current</b>			
Loans and financing	16	1,386,583	1,925,739
Derivative financial instruments	26	243,997	166,899
Suppliers	15	1,329,591	1,414,087
Wages and salaries payable		424,674	378,632
Payable income tax and social contribution	18 a.2	21,733	4,626
Taxes payable	17	184,719	231,872
Dividends and interest on capital payable	21.b	135,023	300,151
Related parties	10	262,269	204,119
Anticipated revenue	27	83,014	79,506
Bonuses payable		42,274	24,383
Other payables		356,029	251,384
		<u>4,469,906</u>	<u>4,981,398</u>
<b>Non-current</b>			
Loans and financing	16	10,532,010	6,522,988
Derivative financial instruments	26	56,231	12,878
Taxes payable	17	175,097	672,236
Related parties	10	932,431	1,249,349
Provision for contingencies	19	775,031	800,429
Provision for unsecured liabilities of subsidiaries and affiliated companies	11	2,653	2,642
Deferred income tax and social contribution	18.b	275,400	38,406
Anticipated revenue	27	263,971	307,635
Other payables		131,470	141,228
		<u>13,144,294</u>	<u>9,747,791</u>
<b>Total liabilities</b>		<u>17,614,200</u>	<u>14,729,189</u>
<b>Shareholders' equity</b>			
Capital stock	21.a	8,117,972	7,821,406
Capital reserve	21.a	1,812,202	1,975,612
Carrying value adjustments	21.c	14,663	(10,844)
Profit reserve	21.d and 21.e	1,282,926	1,084,816
		<u>11,227,763</u>	<u>10,870,990</u>
<b>Non-controlling shareholders' interest</b>		<u>152,161</u>	<u>110,877</u>
<b>Total shareholders' equity</b>		<u>11,379,924</u>	<u>10,981,867</u>
<b>Total liabilities and shareholders' equity</b>		<u>28,994,124</u>	<u>25,711,056</u>

## Raízen Group

### Consolidated and combined statement of income Fiscal years ended March 31 (In thousands of Brazilian Reais)

(A free translation of the original in Portuguese)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Net operating revenue	22	65,092,729	58,350,177
Costs of products sold and services provided	23	<u>(60,487,102)</u>	<u>(53,851,225)</u>
Gross profit		<u>4,605,627</u>	<u>4,498,952</u>
Operating income (expenses)			
Selling expenses	23	(1,675,793)	(1,652,352)
General and administrative expenses	23	(869,888)	(930,896)
Other operating revenue, net	24	<u>470,153</u>	<u>520,989</u>
		<u>(2,075,528)</u>	<u>(2,062,259)</u>
Income before financial income		<u>2,530,099</u>	<u>2,436,693</u>
Financial income			
Financial expenses	25	(717,961)	(527,684)
Financial revenue	25	492,377	317,607
Exchange variations	25	(1,319,651)	(440,610)
Net impact of derivatives	25	<u>720,082</u>	<u>(20,783)</u>
		<u>(825,153)</u>	<u>(671,470)</u>
Income before the results of equity method		<u>1,704,946</u>	<u>1,765,223</u>
Loss from equity method	11	(20,242)	(24,355)
Income before income tax and social contribution		<u>1,684,704</u>	<u>1,740,868</u>
Income tax and social contribution	18		
Current		(384,424)	(404,897)
Deferred		<u>51,292</u>	<u>(107,503)</u>
		<u>(333,132)</u>	<u>(512,400)</u>
Net income for the fiscal year		<u><u>1,351,572</u></u>	<u><u>1,228,468</u></u>
Attributable to:			
Controlling shareholders of the Group		1,313,293	1,204,429
Non-controlling shareholders of the Group		<u>38,279</u>	<u>24,039</u>
		<u><u>1,351,572</u></u>	<u><u>1,228,468</u></u>

## Raízen Group

### Combined and consolidated statement of comprehensive income Fiscal years ended March 31 (In thousands of Brazilian Reais) (A free translation of the original in Portuguese)

	<u>2015</u>	<u>2014</u>
Net income for the fiscal year	1,351,572	1,228,468
Comprehensive income		
Items that will not be reclassified for the results		
Adjustments under equity method – Actuarial loss (1)	(14,041)	(354)
Deferred taxes on actuarial losses (Note 18.c)	4,719	120
	<u>(9,322)</u>	<u>(234)</u>
Items that may be or not reclassified for the results		
Net gain (loss) on derivative financial instruments - Hedge accounting (Note 26.e)	51,965	(168,292)
Effect of conversion of foreign currency	535	1,082
Taxes deferred on adjustments (Note 18.c)	(17,681)	57,221
	<u>34,819</u>	<u>(109,989)</u>
Other components of comprehensive income for the fiscal year	<u>25,497</u>	<u>(110,223)</u>
Total comprehensive income for the fiscal year	<u>1,377,069</u>	<u>1,118,245</u>
Attributable to:		
Controlling shareholders of the Group	1,338,800	1,094,206
Non-controlling shareholders of the Group	38,269	24,039
	<u>1,377,069</u>	<u>1,118,245</u>

- (1) On March 31, 2015, includes an actuarial liability balance of R\$ 158, recorded in new thermoelectric companies ("UTEs") controlled directly or indirectly by RESA, which are not subject to the calculation of deferred taxes because these companies are taxed on their deemed income.

## Raízen Group

### Combined and consolidated statement of changes in shareholders' equity Fiscal years ended March 31 (In thousands of Brazilian Reais)

	Attributable to shareholders of the Group										N control shareh rs' inte
	Capital reserves				Profit reserves						
	Capital stock	Capital reserve	Special Law No. 8200/91	Special goodwill reserve	Equity valuation adjustments	Tax incentive s	Legal	Earnings retention	Retained earnings	Total	
Balances as at March 31, 2014	7,821,406	1,726,692	7,813	241,107	(10,844)	30,256	181,545	873,015	-	10,870,990	110
Contributions of (distributions to) the shareholders of the Group											
Capital increase	-	-	-	-	-	-	-	-	-	-	9
Reverse merger effect (Notes 11.b.vi, 18.c and 21.a)	-	-	-	2,004	-	-	-	-	-	2,004	
Redemption of preferred shares and allocation of dividends (Notes 10.a, 17, 18.c and 21.a)	296,566	(164,377)	-	-	-	-	-	(50,714)	(1,582)	79,893	
Payment of dividends and JCP (Notes 21.b and 21.e)	-	-	-	-	-	-	-	(246,682)	(819,758)	(1,066,440)	(9)
Reflected effect on the operations of affiliates	-	992	-	-	-	-	-	-	-	992	
Partial realization of the reserve	-	-	(3,553)	-	-	-	-	-	3,553	-	
Creation of reserves	-	1,524	-	-	-	65,663	429,843	(495,506)	-	1,524	2
Total contributions of (distributions to) the shareholders of the Group	296,566	(161,861)	(3,553)	2,004	-	-	65,663	132,447	(1,313,293)	(982,027)	3
Comprehensive income for the fiscal year											
Net income for the fiscal year	-	-	-	-	-	-	-	-	1,313,293	1,313,293	38
Equity valuation adjustment – Actuarial liability	-	-	-	-	(9,312)	-	-	-	-	(9,312)	
Equity valuation adjustment – Hedge accounting	-	-	-	-	34,284	-	-	-	-	34,284	
Effect of conversion of foreign currency - CTA	-	-	-	-	535	-	-	-	-	535	
Total comprehensive income for the fiscal year	-	-	-	-	25,507	-	-	-	1,313,293	1,338,800	38
Balances as at March 31, 2015	8,117,972	1,564,831	4,260	243,111	14,663	30,256	247,208	1,005,462	-	11,227,763	15

## Raízen Group

### Combined and consolidated statement of changes in shareholders' equity Fiscal years ended March 31 (In thousands of Brazilian Reais)

	Attributable to shareholders of the Group											
	Capital Reserves					Profit reserve					Non-controlling shareholders' interest	Total shareholders' equity
	Capital stock	Capital reserve	Special Law No. 8200/91	Special goodwill reserve	Equity valuation adjustments	Tax incentives	Legal	Earnings retention	Retained earnings	Total		
Balances as at March 31, 2013	7,562,754	1,746,290	13,102	241,107	99,379	-	121,323	1,031,294	-	10,815,249	113,174	10,928,423
Contributions of (distributions to) the shareholders of the Group												
Capital increase	8,427	-	-	-	-	-	-	-	-	8,427	-	8,427
Surplus paid on the acquisition of additional corporate interest in subsidiary	-	(5,973)	-	-	-	-	-	-	-	(5,973)	-	(5,973)
Decrease by acquisition in whole of corporate interest	-	-	-	-	-	-	-	-	-	-	(17,927)	(17,927)
Reversal of accumulated adjustments of conversion deriving from creation of reserve	-	(20,168)	-	-	-	-	-	-	-	(20,168)	-	(20,168)
Allocation of reserves of fiscal incentives of subsidiaries	-	-	-	-	-	30,256	-	(16,221)	(14,035)	-	-	-
Dividends to shareholders bearing preferred shares	250,225	3,743	-	-	-	-	-	(6,916)	(231,497)	15,555	(2,539)	13,016
Reversal of mandatory minimum dividends	-	-	-	-	-	-	-	596	-	596	3,624	4,220
Dividends paid in advance	-	-	-	-	-	-	-	(458,898)	(584,036)	(1,042,934)	(7,992)	(1,050,926)
Reflected effect on operations of subsidiaries	-	1,301	-	-	-	-	-	3,229	-	4,530	-	4,530
Partial realization of the reserve	-	-	(5,289)	-	-	-	-	-	5,289	-	-	-
Creation of reserves	-	1,502	-	-	-	-	60,222	319,928	(380,150)	1,502	(1,502)	-
Total contributions of (distributions to) the shareholders of the Group	258,652	(19,595)	(5,289)	-	-	30,256	60,222	(158,282)	(1,204,429)	(1,038,465)	(26,336)	(1,064,801)
Comprehensive income for the fiscal year												
Net income for the fiscal year	-	-	-	-	-	-	-	-	1,204,429	1,204,429	24,039	1,228,468
Adjustment to equity valuation – Actuarial liability	-	-	-	-	(234)	-	-	-	-	(234)	-	(234)
Equity valuation adjustment – Hedge accounting	-	-	-	-	(111,071)	-	-	-	-	(111,071)	-	(111,071)
Effect of conversion of foreign currency – CTA	-	-	-	-	1,082	-	-	-	-	1,082	-	1,082
Total comprehensive income for the fiscal year	-	-	-	-	(110,223)	-	-	-	1,204,429	1,094,206	24,039	1,118,211
Transfers between reserves	-	(3)	-	-	-	-	-	3	-	-	-	-
Balances as at March 31, 2014	7,821,406	1,726,692	7,813	241,107	(10,844)	30,256	181,545	873,015	-	10,870,990	110,877	10,981,867

## Raízen Group

### Combined and consolidated statement of cash flow

Fiscal years ended March 31 (In thousands of Brazilian Reais) (A free translation of the original in Portuguese)

	<u>2015</u>	<u>2014</u>
Cash flow from operating activities		
Income before income tax	1,684,704	1,740,868
Adjustments to:		
Depreciation and amortization (Notes 22 and 23.a)	2,381,165	2,151,603
Change in fair value of biological assets (Note 23.a)	32,697	64,918
Change in fair value of sugarcane harvested (agricultural products) (Note 23.a)	(1,314)	8,443
Equity accounting (Note 11)	20,242	24,355
Gain on disposal of property, plant and equipment	(132,824)	(230,284)
Gain on capital through dilution of shareholding (Notes 11.c and 24)	(30,333)	-
Constitution of provision for doubtful accounts, net	5,530	3,258
Gain on sale of shares (Note 24)	15,506	-
Grant revenue for investments – ICMS (Notes 17, 23.a and 24)	(59,557)	(32,090)
Constitution of provision for tax, civil and labor risks, net	10,969	33,331
Interest, monetary and exchange variation, net	1,985,296	820,854
Amortization of deferred revenue	(49,115)	(48,028)
Amortization of prepaid expenses	57,864	43,590
Gains from derivative financial instruments	(413,449)	(63,162)
Gains on the fair value of shares recorded as financial instruments	(55,872)	-
Constitution of provision for losses on property, plant and equipment (Notes 13 and 24)	8,678	(5,792)
Constitution of provision for losses on technologies contracts (Notes 14 and 24)	55,060	6,569
Other	19,472	6,634
Changes in operating assets and liabilities:		
Trade account receivables and advances from customers (include related parties)	155,477	251,168
Inventories	17,453	(184,074)
Restricted cash	116,714	(147,009)
Derivative financial instruments	(18,377)	(21,121)
Other financial assets	48,910	(1)
Trade accounts payable and advances to suppliers (include related parties)	(182,096)	211,576
Taxes and contributions, net	(294,912)	(296,031)
Payroll and related charges	44,306	18,032
Judicial deposits	(28,051)	(74,620)
Other assets and liabilities, net	(64,832)	(78,226)
Income tax and social contribution paid	(256,749)	(292,685)
Net cash provided by operating activities	<u>5,072,562</u>	<u>3,912,075</u>
Cash flow from investment activities		
Acquisitions, net of acquired cash (Note 30)	(177,744)	(298,903)
Additions to investments (Note 11.c)	(58,964)	(57,131)
Additions to property, plant and equipment and intangible assets (Notes 13 e 14)	(2,122,489)	(2,227,680)
Cash from sale of property, plant and equipment	221,122	393,798
Dividends received	13,880	919
Sugarcane planting and cultivation costs (Note 12)	(851,411)	(838,647)
Net cash used in investment activities	<u>(2,975,606)</u>	<u>(3,027,644)</u>
Cash flow from financing activities:		
Proceeds from debt issuance	6,087,282	2,502,428
Proceeds from debentures issuance, net of transaction costs	-	747,710
Repayment of debt	(5,267,812)	(2,457,197)
Financial investments related to financing (restricted cash)	22,046	3,155
Dividends paid	(1,257,490)	(1,164,461)
Other	9,627	(54,175)
Net cash (used in) provided by financing activities	<u>(406,347)</u>	<u>(422,540)</u>
Increase (decrease) in cash and cash equivalents, net	1,690,609	461,891
Cash and cash equivalents at the beginning of the year (Note 3)	<u>2,337,621</u>	<u>1,875,730</u>
Cash and cash equivalents at the end of the year (Note 3)	<u><u>4,028,230</u></u>	<u><u>2,337,621</u></u>
Additional information on cash flow		
Investments transactions which do not involve cash		
Depreciation of costs capitalized as biological assets (Note 12)	(75,222)	(67,339)
Interest capitalized in fixed assets (Notes 13 and 25)	(40,636)	(65,737)
Exclusive rights to supply fuel payable	(31,903)	7,462
Reversal of provision for removal of tanks and others	3,951	25,651
Tax credits on property, plant and equipment, including the adjustment to present value of fixed assets	10,600	8,812
	(133,210)	(91,151)
Financial Transactions which do not involve cash		
Dividends and interest on capital payable (Note 21.b)	(135,023)	(300,151)
Capital contribution by controlling shareholders to pay (Note 10.a.1)	-	8,427
Capital contribution by minority shareholders with dividend	1,556	-
Capital contribution by minority shareholders to pay (Note 2.2)	7,200	-
	(126,267)	(291,724)

Management's notes are an integral part of the consolidated and combined financial statements.

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

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#### 1. Operating context

##### 1.1 Raízen Group

The activities of the Raízen Group (the "Group") consist primarily of the following operations and companies:

##### **(a) Raízen Energia S.A. and its controlled subsidiaries ("Raízen Energia" or "RESA")**

RESA is a private limited liability company with its headquarters in the City and State of São Paulo, Brazil. RESA was incorporated on June 1<sup>st</sup> 2011, and is a joint venture controlled indirectly by Royal Dutch Shell ("Shell") and Cosan S.A. Indústria e Comércio ("Cosan").

On October 21, 2013, RESA was registered with the Brazilian Securities Commission ("CVM"), as a private limited liability company, Category B, and was authorized to trade in its own securities on regulated securities markets, with the exception of shares, share deposit certificates or securities conferring the right to acquire such securities upon conversion or the exercise of their inherent rights. See Note 16.

The principal business activity of RESA is the production and domestic and international trading of sugar and ethanol, through its controlled companies Raízen Trading LLP and Raízen International Universal Corporation, and the co-generation of energy produced from sugarcane bagasse in its 24 power plants, which are located in the central southern region of Brazil.

On January 15, 2015, the Company announced that the industrial activities of the plant Bom Retiro, located in Capivari (SP) would be suspended for two years due to the lower availability of sugar cane in the region – an acute shortage due to the drought that hit the cane fields. The hibernation of industrial activities is intended to optimize the production of the other Raízen Energia plants in that area, redirecting to them the raw material previously allocated to the Bom Retiro unit. The agricultural operation of Raízen's sugar cane providers in the region and the planned production of RESA will not be impacted. Also, no adjustment for impairment was required due to this temporary hibernation of the plant.

The planting of sugarcane requires a period of from 12 to 18 months for the crop to ripen. The harvest starts in the months of April or May each year and generally ends in November or December, at which time sugar and ethanol are produced. The sale of the produce occurs throughout the year and does not suffer variations due to seasonality, but only variations in market supply and demand. Due to its production cycle, the fiscal year of RESA, RCSA and the Raízen Group starts on April 1<sup>st</sup> and ends on March 31 each year.

##### *Corporate restructuring during the fiscal year ended March 31, 2015*

In June 2014 RESA and its subsidiaries were subject to corporate restructuring, which resulted in the formation of ten new UTEs. RESA and its subsidiaries carried out a capital increase in its net assets related to the activity of co-generation of electricity for ten of these new companies.

On October 30, 2014, the Company approved the operation whereby Terminal Exportador de Álcool de Santos Ltda. ("TEAS") incorporated in reverse into Curupay Agroenergia Ltda. ("Curupay") through the

## **Raízen Group**

### **Management's notes to the combined and consolidated financial information as at March 31, 2015** (In thousands of Brazilian Reals, except when indicated otherwise)

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capital contribution made by RESA to Curupay, concentrate, in this last 100% interest in the capital of TEAS.

The updated consolidation basis of RESA and the details of the corporate restructuring are presented in Notes 2.2 and 11, respectively.

#### **(b) Raízen Combustíveis S.A. and its subsidiaries (“Raízen Combustíveis” or “RCSA”)**

RCSA is a privately held company headquartered in the City and State of Rio de Janeiro, Brazil. RCSA is indirectly jointly controlled by Shell and Cosan.

The main business activities of RCSA are: (i) distributing oil and ethanol byproducts and other hydrocarbon fluids and their sub-byproducts, mainly under the Shell brand, (ii) selling natural gas and operating as sales representative with respect to the sale of lubricants through gas stations, (iii) purchasing and selling products and goods for sale in convenience stores, (iv) importing and exporting the aforementioned products, and (v) holding interests in other companies.

#### *Corporate restructuring of the fiscal year ended March 31, 2015*

On December 30, 2014, the Private Instrument of First Amendment to the Articles of Association of Saturno Investimentos Imobiliários Ltda. (“Saturno”), approved new capital contribution amounting to R\$ 160,955, fully subscribed and paid by RCSA in the form of real estate contributions, including the capital gains associated with the assets.

The updated consolidation basis of RCSA and the details of the corporate restructuring are presented in Notes 2.2 and 11, respectively.

#### **(c) Other information**

The synergy between Raízen Energia and Raízen Combustíveis means that the Raízen Group occupies a unique position in the Brazilian market. The two companies actively support each other, and therefore it is essential to present a consolidated and combined business, so that the market is able to see the Group as a whole.

Although not established as a group, as set forth in Article 265 of the Brazilian Corporate Law, the Raízen Group companies present consolidated and combined annual financial statements so as to present information that better reflects the gross generation of cash from its operating activities.

The consolidated and combined financial statements of Raízen Group are the responsibility of the Management of the companies that are part of the combination, and are being presented exclusively for the purpose of providing, in a single financial statement, information on all the activities of the Raízen Group, independently of its legal corporate structure.

The issue of the consolidated and combined financial statements by the Group was authorized by the Board on June 22, 2015.

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

#### 2. Significant accounting policies

##### 2.1 Basis of preparation

The consolidated and combined financial statements has been prepared in accordance with the accounting practices adopted in Brazil, that are under as International Financial Report - International Financial Reporting Standards (IFRS), that were hair Standards issued International Accounting Standards Board (IASB).

##### a) Combination criterion

These consolidated and combined financial statements include the following companies:

- Raízen Energia S.A. and its subsidiaries
- Raízen Combustíveis S.A. and its subsidiaries

The following items were eliminated in the combination: balances receivable and payable, revenue, expenses and unrealized earnings arising from transactions between these companies.

Combined companies do not operate as a single legal entity, their combined financial information does not necessarily provide indicators of the current or future profit or loss that would have been earned had these combined companies been operating as one single legal entity. Therefore, the consolidated and combined financial statements should not be used as a basis for the calculation of dividends or taxes, or for any other corporate or statutory purposes.

Below we present a breakdown of the assets and shareholders' equity for the fiscal years ended March 31, 2015 and 2014, and the income for the fiscal year ended, and other comprehensive income as at, March 31, 2015 and 2014, of the companies comprising the consolidated and combined financial statements, and the respective consolidated and combined balances, not including related party transactions:

	<b>Total assets</b>		<b>Total shareholders equity</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Raízen Energia	21,746,337	17,872,223	6,775,209	6,644,509
Raízen Combustíveis	10,492,669	8,432,277	4,604,715	4,337,358
	<u>32,239,006</u>	<u>26,304,500</u>	<u>11,379,924</u>	<u>10,981,867</u>
Elimination of receivables from commercial transactions	(3,244,882)	(593,444)	-	-
Combined and consolidated balances	<u>28,994,124</u>	<u>25,711,056</u>	<u>11,379,924</u>	<u>10,981,867</u>
	<b>Net income for the fiscal year</b>		<b>Other comprehensive income</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Raízen Energia S.A. and subsidiaries	110,999	140,883	136,916	30,835
Raízen Combustíveis S.A. and subsidiaries	1,240,573	1,087,585	1,240,153	1,087,410
Combined and consolidated income	<u>1,351,572</u>	<u>1,228,468</u>	<u>1,377,069</u>	<u>1,118,245</u>

Consolidated and combined financial statements is a single set of statements for two or more entities under common control. RESA and RCSA have used the definition of control IFRS 10 (IASB – BV 2012),

## **Raízen Group**

### **Management's notes to the combined and consolidated financial information as at March 31, 2015** (In thousands of Brazilian Reais, except when indicated otherwise)

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in order to assess the existence of common control and also as the basis for the consolidation procedures, as mentioned in Note 2.2.

**b) Measuring basis**

The consolidated and combined financial statements has been prepared using historical costs as a basis, except, when applicable, for the valuation of certain assets and liabilities, such as financial instruments derivatives and non derivatives, agricultural products and biological assets, which are measured at fair value.

**c) Functional and presentation currencies**

This consolidated and combined financial statements are presented in Brazilian Reais, which is the Group's functional currency. The financial statements of each subsidiary included in the combination and those used as the bases for valuing investments using the equity accounting method are prepared using the functional currency of each company. For subsidiaries located abroad, assets and liabilities have been translated into Reais using the exchange rate as at the balance sheet date, while income has been assessed using the monthly rate. The effects of this currency translation are recorded in the shareholders' equity of each such subsidiary.

**d) Judgments, estimates and significant accounting assumptions**

The preparation of combined and consolidated financial statements requires Management to make judgments and estimates and to adopt premises that affect the recorded amounts of revenue, expenses, assets and liabilities as at the base date of the financial statements.

These estimates and premises are continuously reviewed. Reviews of accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

If there is a significant change in the facts or circumstances on the basis of which the estimates and assumptions used are based, this may have a material impact on the Group's results and financial condition.

## **Raízen Group**

### **Management's notes to the combined and consolidated financial information as at March 31, 2015** (In thousands of Brazilian Reais, except when indicated otherwise)

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The significant estimates and accounting practices are described below:

#### ***Income tax, social contribution and other taxes payable***

The Group is subject to income tax in all countries in which it operates. Significant judgment is required in determining the provision for income taxes in these various countries.

In many operations, the final tax determination is uncertain. The Group also recognizes provisions to cover certain situations where it is likely that additional taxes are owed. When the final outcome of these matters is different from the initially estimated and recorded values, these differences affect assets and current tax liabilities and deferred in the period in which the determination is made.

#### ***Tax incentive - ICMS***

The Group, through the RESA's subsidiaries, Raízen Centroeste and Raízen Caarapó, has benefits from a state incentive program, in the form of financing of part of the ICMS payments. The Group's right to the benefit is conditional on its complying with all the obligations determined by the program, the terms of which relate to factors under the Group's control.

The revenue resulted by these incentives are recorded under the Net income for the fiscal year, see Note 24.

#### ***Deferred income tax and social contribution***

The income tax and deferred social contribution are recognized for all unused tax losses, to the extent that it is probable that taxable income available to allow the use of these tax losses. Significant Management judgment is required to determine the value of the income tax and deferred social contribution, which can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The taxes on income deferred assets and liabilities are presented net in the balance sheet only when there is a legal right and the intention to offset them upon the calculation of current taxes, usually related to the same legal entity and the same taxation authority. For details about deferred taxes see Note 18.

#### ***Biological assets and agricultural products***

Biological assets are measured at fair value as at the date of each balance sheet, and the effects of changes in fair value from year to year are allocated directly to the cost of products sold. For more details on the used premises, see Note 12.

The fair value of the agricultural product is measured through the review of the production average cost of the harvested sugarcane in relation to its market value.

#### ***Property, plant and equipment and intangible assets, including goodwill***

The accounting treatment of the fixed assets and intangible assets includes the use of estimates to determine the useful life period for the purposes of their depreciation and amortization, in addition to their fair value at the acquisition date, in particular for assets acquired in business combinations.

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

The Group makes annually the analysis of recoverable amount, in order to identify potential goodwill impairments and when there is a loss of indicators of impairment in the fixed and intangible assets.

The determination of the recoverable amount of the cash-generating unit to which goodwill has been allocated also includes the use of assumptions and estimates, and requires a significant degree of judgment.

#### **Provision for tax, civil, labor and environmental claims**

The Group and its subsidiaries recognized a provision for probable losses for tax, civil, labor and environmental risks. The assessment of probability of loss includes assessing the available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the evaluation of outside counsel. These provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable statutes of limitation, conclusions of tax audits or additional exposures identified based on new matters or court decisions.

#### **Provision for the removal storage tanks**

Future spending removal of fuel storage tanks are estimated and recorded as part of the cost of these assets and a corresponding provision is made for such expenses. These expenses are presented as property, plant and equipment in return to the non-current and current liabilities. Estimates of these expenses are recorded considering the present value of these obligations, discounted at a risk-free interest rate.

#### **Fair value of financial instruments**

When the fair value of the financial assets and liabilities presented in the balance sheet cannot be obtained in active markets, it is determined using the valuation techniques, including the discounted cash flow method. The data for these methods are based on market conditions, when this is possible. However, where this is not feasible, a certain level of judgment is required to determine the fair value. The judgment includes consideration of data used, for example, liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For more details about the financial instruments see Note 26.

## 2.2 Consolidation basis

The combined and consolidated financial statements is included in information of RESA and its subsidiaries, and of RCSA and its subsidiaries. The direct and indirect subsidiaries of RCSA and RESA are listed below:

Subsidiaries of RESA	Direct and indirect interests	
	2015	2014
Agrícola Ponte Alta Ltda.	100%	100%
Agropecuária Santa Hermínia Ltda.	100%	100%
América Trading Investments	100%	100%
Benálcool Açúcar e Alcool Ltda.	100%	100%
Bioenergia Araraquara Ltda. (Notes 1 and 11)	100%	-
Bioenergia Barra Ltda. (Notes 1 and 11)	100%	-
Bioenergia Caarapó Ltda. (Notes 1 and 11)	100%	-
Bioenergia Costa Pinto Ltda. (Notes 1 and 11)	100%	-
Bioenergia Gasa Ltda. (Notes 1 and 11)	100%	-
Bioenergia Jataí Ltda.	100%	-

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

Bioenergia Maracá Ltda. (Notes 1 and 11)	100%	-
Bioenergia Rafard Ltda. (Notes 1 and 11)	100%	-
Bioenergia Serra Ltda. (Notes 1 and 11)	100%	-
Bioenergia Tarumã Ltda. (Notes 1 and 11)	100%	-
Bioenergia Univalem Ltda. (Notes 1 and 11)	100%	-
Curupay Agroenergia Ltda. (Note 11)	-	100%
Houghton Venture Capital Ltd.	100%	100%
Raízen Araraquara Açúcar e Alcool Ltda.	100%	100%
Raízen Asia PT Ltd.	100%	100%
Raízen Biotecnologia S.A.	100%	100%
Raízen Caarapó Açúcar e Alcool Ltda.	100%	100%
Raízen Cayman Limited	100%	100%
Raízen Centroeste Açúcar e Alcool Ltda. (Previously denominated Cosan Centroeste Açúcar e Alcool Ltda.)	100%	100%
Raízen Energy Finance Ltd.	100%	100%
Raízen International Universal Corp.	100%	100%
Raízen North América, Inc.	100%	100%
Raízen Paraguai Ltda.	100%	100%
Raízen Tarumã Ltda.	100%	100%
Raízen Trading LLP	100%	100%
TEAS Terminal Exportador de Alcool de Santos Ltda.	100%	100%
<b>Subsidiaries of RCSA</b>		
	<b>Direct and indirect interests</b>	
	<b>2015</b>	<b>2014</b>
Blueway Trading Importação e Exportação S.A.	100%	100%
Raízen Fuels Finance Limited.	100%	100%
Sampras Participações Ltda.	100%	100%
Raízen Mime Combustíveis S.A.	76%	76%
Petróleo Sabbá S.A.	80%	80%
Saturno Investimentos Imobiliários Ltda. (Note 30)	100%	-
Sabor Raízen Alimentação S.A. ("Sabor Raízen") (i)	60%	-

(i) During the fiscal year ended March 31, 2015, the partners of Sabor Raízen approved the constitution and capital increase in the total amount of R\$ 21,000, totaling subscribed and partial integralized, R\$ 12,600 was contributed by RCSA, through its subsidiaries Sampras Participações Ltda. ("Sampras") and R\$ 8,400 by the non-controlled shareholder. On March 31, 2015, the portion to be paid by RCSA and non-controlling shareholder is R\$ 10,800 and R\$ 7,200, respectively. The increase capital was made by Sampras and represented a share participation of 60% on the capital of Sabor Raízen.

The subsidiaries are fully consolidated as from the date that control commences and continue to be consolidated until the date that control ceases. The financial statements of the subsidiaries are prepared for the same disclosure period of the subsidiaries, using consistent accounting policies. The balances kept among consolidated companies, revenues, expenses and unrealized gains and losses from transactions among consolidated companies are fully eliminated.

A change in the participation in a subsidiary that does not result in loss of control is booked as a transaction between shareholders in shareholders' equity.

The Raízen Group uses the acquisition method to record business combinations. The consideration transferred for acquisition of a subsidiary is the fair value of transferred assets incurred liabilities and equity instruments issued by the Group. Transferred consideration includes the fair value of assets and liabilities derived from the contingent consideration agreement, when applicable. Costs related to acquisition are recorded in the income statements as incurred. The identifiable assets acquired and the liabilities and contingent liabilities assumed in a combination of businesses are measured initially by their fair values on the date of the acquisition. The Group recognizes the non-controlling interest in the acquired entity by its fair value and the proportionate portion of the participation of the non-controlling interest in the fair value of the net assets of the acquired entity. The measurement of non-controlling interest is assessed in each acquisition effected.

## **Raízen Group**

### **Management's notes to the combined and consolidated financial information as at March 31, 2015** (In thousands of Brazilian Reais, except when indicated otherwise)

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The excess of the transferred consideration and of the fair value on the date of acquisition of any previous equity participation in the acquired entity in relation to the fair value of the participation of the Group of identifiable net assets acquired is recorded as goodwill. When applicable, in the acquisition to which the Group attributes fair value to non-controlled shareholders, the assessment of goodwill also includes the value of non-controlled interest in the acquired entity, and the goodwill is assessed considering the Group interest and of non-controlling interests. When the transferred consideration is less than the fair value of the net assets of the controlled subsidiary acquired, the difference is recognized directly in the statement of income for the fiscal year.

Adjustments are made, when necessary, to bring accounting policies into line with those adopted by the Group.

#### **2.3 Summary of significant accounting policies**

The accounting practices described below have been applied consistently to the years presented in the consolidated financial statements.

##### **a) Revenue recognition**

Revenues derived from the sale of products and goods, including resale of products in the external market made by subsidiaries of RESA, Raízen Trading LLP and Raízen International Universal Corporation, are recognized when the entity transfers to the buyer significant risks and benefits inherent to the ownership of products and goods, and when it is probable that economic benefits will be generated associated to transaction if favor of Company. The sale prices are fixed based on sales orders or agreements.

Goods or services for which revenue is deferred are recorded under other obligations title, and are recorded as revenues through delivery of goods or services rendered.

Revenue from the sale of power generation is recorded based on the guaranteed energy and tariffs specified in the terms of supply agreements or the prevailing market price, as applicable. Electric power energy produced and sale through auction is initially recorded as deferred revenue, recognized in the statement of income when it available for the use of customers.

The revenue derived from rental and storage includes fuel station rentals and fuel storage to counterparts in the terminals of the RCSA, recognized on an accrual basis, under Other operating income, net (Note 24).

The revenue is presented net of taxes (Federal Excise Tax on Manufactured Goods ("IPI"), Tax on the Circulation of Goods and Services ("ICMS"), Employees' Profit Participation Program ("PIS"), Tax for Social Security Financing ("COFINS"), National Social Security Institute ("INSS") and others), of returns, abatements and discounts, amortizations related to exclusive rights of supply, as well as elimination of sales among companies of the Group.

##### **b) Transactions in foreign currency**

Transactions in foreign currency are initially recognized by Group entities at the functional currency rate ruling on the transaction date or on the valuation dates, when the items are revalued.

## **Raízen Group**

### **Management's notes to the combined and consolidated financial information as at March 31, 2015** (In thousands of Brazilian Reais, except when indicated otherwise)

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Monetary assets and liabilities denominated in foreign currency are converted into Brazilian currency using the exchange rate ruling on the date of the respective balance sheets, and exchange gains or losses resulting from the settlement of these transactions and conversion at the exchange rates ruling at the end of the year are recognized in the statement of income, under Financial Income, except when classified as *hedge accounting*, when they are deferred in shareholders' equity.

Non-monetary items measured by historic cost in foreign currency are converted at the conversion rate on the initial date of the transaction. Non-monetary items measured to the fair value in foreign currency, if present, are translated using the exchange rates in effect on the date on which the fair value is determined.

#### **c) Financial instruments – Initial recognition and subsequent measurement**

##### ***(i) Financial Assets***

###### ***Initial recognition and measurement***

Financial assets are classified in the following categories: measured at fair value through statement of income, held to maturity, available for sale, loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets are initially recognized at fair value plus, in the case of investments not designated as being at fair value through income, the transaction costs directly attributable to the acquisition of financial assets.

Financial assets include cash and cash equivalents, restricted cash, derivative financial instruments, trade accounts receivable, related parties and other financial assets.

###### ***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification, which may be as follows:

###### ***Financial assets at fair value through statement of income***

Financial assets measured at fair value through statement of income include financial assets maintained for negotiation and assets designated at initial recognition at fair value through income. They are classified as held for trading if they are originated for the purpose of sale or repurchase in the short term. Derivatives are measured at fair value through statement of income, except for those designated as hedge instruments. Interest, inflation adjustments, exchange variations and variations resulting from valuation at fair value are recognized on the statement of income when incurred in financial revenue or an expense line.

## **Raízen Group**

### **Management's notes to the combined and consolidated financial information as at March 31, 2015** (In thousands of Brazilian Reais, except when indicated otherwise)

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#### ***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, those financial assets are recorded at amortized cost using the effective interest method (effective interest rate), less impairment loss. The amortized cost is calculated taking into account any discount or premium in the acquisition and taxes or costs incurred. The amortization of the effective interest method is included in financial revenues or the expenses line in the statement of income.

#### ***Held-to-maturity investments***

This includes those non-derivative financial assets with fixed payments or determinable payments with defined maturity for which the Group has a firm intent and ability to maintain until the maturity date. Interest, inflation adjustments, exchange variations, less impairment losses, where applicable, are recognized in the statement of income when incurred in either the financial revenues or expense line.

#### ***Available for sale financial assets***

Available for sale financial assets are non-derivative financial assets that are designated in this category on initial recognition or not classified in any of above categories. They are presented as non-current assets, unless Management intends to settle the investment in up to 12 months after the balance date.

#### ***De-recognition (write-off)***

A financial asset is written off when: (i) the right for receiving cash flows from assets expires; and (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay up the cash flows received in full, without significant delay, to a third party under a transfer agreement; and (a) the Group substantially transfers all the risks and benefits of the asset or (b) the Group does not substantially transfer all the risks and benefits relating to the asset, but transfers control over it.

#### ***Impairment of financial assets***

The Group reviews on the balance sheet dates if there is any objective evidence that determinates if the financial assets or group of financial assets is recoverable. A financial asset or group of financial assets is considered to be impaired if, and only if, there is objective evidence that its value is unrecoverable as the result of one or more events that have taken place since the asset was first recognized (a "loss event") and this loss event affects the estimated future cash flow of the financial assets, or group of financial assets, to an extent that can be reasonably estimated.

The criteria that the Group uses to determine whether there is objective evidence of impairment loss include: (i) significant financial difficulty of the issuer or obligor; (ii) a breach of contract, such as a default or delinquency in interest or principal payments; (iii) the Group, for economic or legal reasons connected with the financial difficulties of the borrower, extends a concession to the borrower that a creditor would not normally consider; (iv) it becomes likely that the borrower will declare bankruptcy or file for some other type of financial reorganization; (v) the disappearance of an active market for a financial asset due to financial problems.

## **Raízen Group**

### **Management's notes to the combined and consolidated financial information as at March 31, 2015** (In thousands of Brazilian Reais, except when indicated otherwise)

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If in a subsequent period the amount of the loss due to impairment reduces, and the reduction can be objectively related to an event that occurred after the impairment was recognized (such as improvement in the credit rating of the debtor), the reversal of such loss recognized previously will be recognized in the statement of income.

#### **(ii) Financial liabilities**

##### **Initial recognition and measurement**

Financial liabilities are classified as financial liabilities at fair value through income, loans and financing, or derivatives representing an effective hedging instrument, as the case may be. The Group determines the classification of its financial assets at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and financing, are adjusted upwards by the directly related transaction costs.

The Group's financial liabilities include loans and financing, derivative financial instruments, suppliers and related parties.

##### **Subsequent measurement**

The subsequent measurement of financial assets depends on their classification, which may be as follows:

##### **Financial assets at fair value through statement of income**

These include financial liabilities usually traded before maturity, liabilities designated at initial recognition at fair value through statement of income and derivatives, except for those designated as hedge instruments. Interest, inflation adjustments, exchange variations and variations resulting from valuation at fair value, when applicable, are recognized in the statement of income when incurred.

##### **Amortized cost**

After initial recognition, interest-bearing borrowings and financing are subsequently measured at amortized cost, using the effective interest method. Gains and losses are recognized in the income statement when liabilities are written-off, as well as during the amortization process under the effective interest method.

##### **De-recognition (write-off)**

A financial liability is written off when the obligation is revoked, cancelled or expired.

#### **(iii) Offset of financial instruments – net presentation**

Financial assets and liabilities are shown net in the balance sheet if, and only if, there is a current and enforceable legal right to set off the amounts recognized, and if there is an intention to offset them, or to realize the asset and settle the liability simultaneously.

#### **(iv) Fair value of financial instruments**

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The fair value of financial instruments actively traded in organized financial markets is determined on the basis of the purchase price quoted on the market at the close of business on the balance sheet date, without deducting transaction costs.

Fair value of financial instruments to which there is no active market is determined using valuation techniques. These techniques may include the use of recent market transactions (at arm's length); reference to the current fair value of another similar instrument; a discounted cash flow analysis, or other valuation models.

For an analysis of the fair value of financial instruments and more details on how they are calculated see Note 26.

#### **(v) Derivatives and hedge accounting**

##### ***Initial recognition and subsequent measurement***

The Group uses derivatives, such as currency and commodity forward contracts and interest rate swaps to hedge against the risk of fluctuation of exchange rates, the risk of fluctuation in commodities prices and the risk of fluctuation of interest rates, respectively. Derivatives designated as hedge transactions are initially recognized at fair value on transaction date, and subsequently remeasured also at fair value. Derivatives are stated as financial assets when the fair value of the instrument is positive and as financial liabilities when the fair value is negative.

Any gains or losses on changes in the fair value of derivatives during the year are passed directly to the statement of income, except for the effective portion of cash flow hedges, which is recognized directly in shareholders' equity under other comprehensive income.

For the purposes of hedge accounting, the following classifications are used:

- fair value hedge to protect against exposure to changes in the fair value of assets and liabilities recognized, or unrecognized but committed, or in an identifiable part of such asset, liability or firm commitment, which can be attributed to a specific risk and could affect the results.
- cash flow hedge to protect against changes in cash flows attributable to a specific risk associated with a recognized asset or liability, or with a proposed transaction that is highly likely to take place, and which could affect the results; or
- net investment hedge in an overseas operating unit.

Upon the initial recognition of a hedge relationship, the Group makes a formal classification and documents the hedge relationship to which it intends to apply the hedge accounting, and the purpose and risk management strategy used by Management for hedging purposes.

The documentation includes the identification of the hedge instrument, the item or transaction to which it applies, the nature of the risk hedged, details of the anticipated efficacy of the hedge relationship and the way in which the Group will assess the efficacy of the hedging instrument in order to offset the exposure to changes in the fair value of the hedged item or the cash flows related to it. In the case of cash flow hedges, a demonstration that the proposed transaction to be hedged is highly likely to take

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place, and the anticipated timing of transfer of gains or losses on the hedging instruments from shareholders' equity to income, are also included in the document describing the hedge.

It is expected that such hedges will be extremely efficient in offsetting changes in fair value or in cash flows, and they are continually assessed to confirm that this is the case throughout all the base periods to which they apply.

Hedges that meet the criteria for hedge accounting are recorded as follows:

#### ***Cash flow hedge***

The effective portion of the gain or loss on the hedge instrument is recognized directly in shareholders' equity, under other comprehensive income, while the ineffective portion is recognized immediately in financial income.

Amounts booked under other comprehensive income are transferred immediately to the statement of income when the hedged transaction affects the results, e.g. when the financial revenues or expenses to which the hedge applies are recognized, or when an anticipated sale takes place. When the hedged item is the cost of a non-financial asset or liability, the amounts booked in shareholders' equity are transferred to the initial book value of the non-financial asset or liability.

If the transaction forecasted or the firm commitment is not expected yet, the amounts previously recognized in shareholders' equity are transferred to the statement of income. If the hedging instrument expires or is sold, closed out or exercised without being replaced or rolled over, or if its classification as a hedge is revoked, gains or losses previously recognized in comprehensive income are maintained as deferred items in shareholders' equity, in the reserve for other comprehensive income, until the anticipated transaction or firm commitment affect the results.

The Group uses forward exchange contracts to protect against its exposure to exchange risk related to anticipated and highly probable future transactions and to firm commitments, and forward commodities contracts to protect against its exposure to volatility in commodity prices. See Note 26 for more details.

#### **d) Cash and cash equivalents**

Cash and cash equivalents include cash, bank deposits and other fully liquidity short-term investments, with original maturities of up to three months from issue, readily convertible into a known amount of cash and with an insignificant risk of changes in their market value.

#### **e) Trade notes receivable**

Trade notes receivable correspond the amounts receivable due to sale of goods or rendering of services in the regular course of Group's activities. If the due date for payment is one year or less, the accounts receivable are classified as current assets. Otherwise they are shown as non-current assets. Trade accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method, less provision for doubtful accounts ("PDD") or impairment.

#### **f) Inventories**

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Inventories are evaluated at the average cost of acquisition of production, not exceeding the net realizable value, except for inventories of agricultural product at RESA, which are measured at fair value. The cost of finished products and products in progress comprises the costs of projects, raw materials, direct labor, other direct costs and related direct expenses of production (based on the regular operational capacity), excluding loans costs. Net realizable value corresponds to the selling price in the ordinary course of business, less estimated completion costs and estimated costs necessary to make the sale.

Sugarcane at the time of cutting is considered to be an agricultural product and is measured at fair value, less selling expenses, depending on the amounts cut and valued at the accumulated Council of Sugarcane, Sugar and Alcohol Producers of the State of São Paulo ("CONSECANA") value for the corresponding month. The fair value of sugarcane cut becomes the cost of raw materials used in the sugar and ethanol production process.

Provision for storeroom inventories with low turnover or which are obsolete is set up when there has been no movement within a determinate period of time and which are not considered to be strategic by Management.

#### **g) Investments in affiliates**

Investments in company in which the Group does not detain control, but on which it exercises significant influence, are booked by the equity accounting method. Based on the equity accounting method, investments are recorded in the balance sheet to the cost, plus the changes after acquisition of the corporate interest.

The statement of income reflects the share of income in the transactions of affiliated companies based on the equity accounting method. When the changes are directly recognized in the shareholders equity of affiliated or subsidiary, the Group will recognize its share in the variations and shall disclose this fact, when it is the case, in the statement of changes in shareholders' equity.

After the application of the equity accounting method, the Group determines if it is necessary to recognize loss of recoverable value added on investment. The Group determines, at each closing date of the balance sheet, if there is objective evidence that the investment in the affiliate suffered impairment loss. If that is the case, the Group calculates the amount of impairment as the difference among recoverable amount of the affiliate and the book value and recognizes the amount in the statement of income.

When there is a significant loss of influence over an affiliate, the Group immediately values and recognizes the investment at fair value.

Unrealized gains on transactions between the Group and its affiliates and joint ventures are eliminated to the extent of the Group's interest. Unrealized losses are also eliminated unless the transaction provides evidence of a loss (impairment) of the transferred asset. The accounting policies of associates have been changed when necessary to ensure consistency with the policies adopted by the Group.

#### **h) Biological assets**

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Biological assets refer to sugarcane plantations.

The cane crop is measured at fair value, excluding the land on which it is planted, by the discounted cash flow method.

Harvesting generally begins in April of each year, and ends in November or December.

For sugarcane, the Group uses projected future cash flows according to the productivity cycle forecast for each harvest, taking into account the estimated useful life of each plantation, the prices for total recoverable sugar, estimated productivity and the estimated costs of production, harvesting, loading and transport for each hectare planted.

Changes in fair value from year to year are allocated to the cost of products sold.

Any land owned by the Group where the biological assets are produced appears as property, plant and equipment.

#### **i) Property, plant and equipment**

Property, plant and equipment items are measured by their historical cost of acquisition or of construction, after deduction of accumulated depreciation and losses due to impairment, when applicable.

The cost includes expenditures that are directly attributable to the acquisition of an asset. The costs of assets constructed by the entity itself include the material and direct labor costs, any other costs incurred to put the asset in place and condition needed to operate as intended by Management, and loan costs over qualified assets. The costs of loans related to proceeds raised for works in progress are capitalized until these projects are concluded.

RESA and its subsidiaries perform the maintenance work scheduled on its facilities on a yearly basis. Maintenance work is carried out from January through March, with the purpose to inspect and replace components. Primary maintenance costs include labor, materials, third party services, as well as overhead expenses allocated during the harvest off-season. These costs are classified as parts and components of regular replacement, in the property, plant and equipment, being fully amortized in the next harvest.

The estimated cost of a given piece of equipment that needs to be replaced every year is recorded as part of the cost of that particular piece of equipment and depreciated over the next harvest season. Regular maintenance costs are expensed as incurred since replaced components do not enhance crushing capacity nor introduce any improvements to equipment.

In RCSA, the subsequent expenditures relating to the removal of fuel storage tanks and to the analysis of potential soil contamination are estimated and accounted for as part of the costs of these assets (property, plant and equipment) against the provision that will cover these expenditures (noncurrent or current liabilities).

Repairs and maintenance are included in income during the period when they are incurred. The cost of any renewal that increases the useful life should be recorded in assets, included in the book value of the

## Raízen Group

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asset if it is probable that the future economic benefits after the renewal will exceed the performance level initially determined for the existing asset and these benefits will flow to the Group. The main renewals are depreciated during the remaining useful life of the related asset.

The gains and losses from disposals are determined by comparison of the results with their book value and are recognized in "other operating income, net" in the statement of income.

In accordance with IAS 16- Property, plant and equipment, during the fiscal year ended March 31, 2015, RESA conducted with a specialized company assessments of the useful lives applied in its fixed assets through direct comparative method of market data. The papers indicate the need for change in the useful life and annual depreciation rates of its assets.

Because it is a change in accounting estimate, the effects of these changes were recorded prospectively from April 1, 2014. These changes represent both an enlargement as a decrease, depending on the case, the useful lives applied in relation to practiced earlier, generating a reduction in depreciation expense for the year ended March 31, 2015, in the amount of R\$ 9,554.

Land is not depreciated.

As at March 31, 2015 and 2014, depreciation of other assets was calculated according to the wear and tear on the useful life of each asset. The weighted average rates of annual depreciation are presented below:

	<u>2015</u>	<u>2014</u>
Buildings and improvements	2.63%	4.00%
Machinery, equipment and facilities	4.89%	4.61%
Furniture and fixtures and IT equipment	14.53%	9.24%
Vehicles, vessels and aircraft	7.41%	15.01%
Other	10.02%	9.94%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

#### j) Lease

The determination whether an agreement is, or contains, a lease is based on the substance of the agreement at the inception date.

Finance lease agreements, where substantially all risks and rewards inherent to the ownership of the leased asset are transferred to the Group, are capitalized at the beginning of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between financial charges and reduction of the lease obligation so as to achieve a constant interest rate on the remaining balance of the liability. Financial charges are recognized in financing costs in the income statement. A leased asset is depreciated during the useful life of the asset.

Operating lease agreements are recognized on a straight-line basis as operating expenses in the income statement over the lease term.

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#### k) Intangible assets

##### *i) Goodwill*

Goodwill is represented by the positive difference between the amount paid and/or payable on acquisition of a business and the net fair value of the assets and liabilities of the acquiree. Goodwill on acquisition of subsidiaries is accounted for as "Intangible assets" in the consolidated financial statements. In the case of determination of negative goodwill, the amount is accounted for as gain in profit or loss for the year on the acquisition date.

The goodwill is maintained at its value cost, after deduction of related impairment, if there is any. The goodwill is tested on an annual basis to verify impairment. For testing purposes the recoverable amount, goodwill acquired in a combination of businesses is, from the acquisition date, allocated to each one of the cash-generating units of the Group that are expected to benefit from the synergies of the combination, irrespective of when other assets or liabilities of the target are assigned to those units.

##### *ii) Intangible assets with definite useful lives*

Intangible assets with definite useful lives are measured by the cost after deduction of accumulated amortization and of losses due to impairment loss, when applicable.

As at March 31, 2015 and 2014, annual amortization rates of intangible assets were as follows:

	<b>2015</b>	<b>2014</b>
Software licenses	20.00%	20.00%
Trademarks and patents	10.00%	10.00%
Land lease agreements	9.00%	9.00%
Sugar-cane supply agreements	10.00%	10.00%
Contractual relationship with customers (a)	4.00%	4.00%
Loyalty – network of gas stations (b)	12.00%	12.00%
Right to use public concessions	20.00%	20.00%
Other	29.05%	25.39%

##### *(a) Contractual relationships with customers*

Contractual relationships with customers, acquired in a business combination, are recognized at fair value on the acquisition date. Contractual relationships with customers have a finite useful life and are accounted for at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the expected life of the relationship with the customer.

##### *(b) Rights of Exclusivity e rights of supply*

Refers to bonuses granted to customers (Note 14) and are contingent on the terms and performance to be achieved by the customers, in particular the demand for volumes set forth in supply

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### **Management's notes to the combined and consolidated financial information as at March 31, 2015** (In thousands of Brazilian Reais, except when indicated otherwise)

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agreements. To the extent that contractual conditions are met, bonuses are amortized and recognized in income, in the line item Sales returns and rebates (Note 22).

#### **l) Impairment of non-financial assets**

The Group annually assesses whether there are indicators of impairment of an asset. If these impairment indicators are identified, the Group estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of: (a) its fair value less costs to sell; and (b) its value in use. The value in use is equivalent to discounted cash flows (before taxes) arising from the continuing use of the asset until the end of its useful life.

Regardless of the existence of indicators of impairment, the goodwill and intangible assets with indefinite useful life are tested for impairment at least once a year.

When the carrying amount of an asset exceeds its recoverable value, the impairment loss is recognized in the income statement.

#### **m) Cost of loans**

The costs of loans related to the acquisition, construction or production of an asset which necessarily requires a significant period of time to be concluded for the purposes of use or sale, are capitalized as part of the cost of the corresponding asset. The cost of loans includes interest and other costs incurred by an entity related to the loans.

#### **n) Provision**

Provision is set up when: (i) the Group has a current and not perfected obligation as a result of the events that have already occurred; (ii) it is probable that an output of resources be necessary to settle the obligation; and (iii) the value can be precisely estimated.

#### **o) Employee benefits**

The Group has a defined contribution plan and defined benefit portion, on which it keeps a supplementary private pension plan that is intended for all employees. The Group recognizes a liability based on a methodology that considers a series of factors that are determined based on actuarial calculations that use certain assumptions to determine the cost (income) for the pension plan.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recorded directly in equity as other comprehensive income when they occur.

The past service costs are immediately recognized in income.

The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### **p) Deferred taxes**

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Revenues (expenses) of income tax and social contribution for the year include current and deferred taxes. Income tax is recognized in the statement of income, except to the extent that it is related to items recognized directly in shareholders' equity or in the comprehensive income. In this case, the tax is also recognized in shareholders' equity or comprehensive income.

The charges of income tax and current social contribution are calculated based on tax laws issued or substantially issued on the date of balance sheet in the countries where Group entities act and generate taxable profits. Management periodically evaluates positions taken by the Group in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation; and it defines provision, when applicable, based on the payment of the estimated amounts to tax authorities.

The taxation on net income comprises income tax and social contribution. Income tax is levied at the rate of 15%, plus a 10% surcharge on any income that exceeds R\$ 240 in a period of 12 months, while the social contribution is levied at the rate of 9%, on taxable income recognized on an accrual basis.

On an overall basis, the Group is thus subject to a theoretical income tax rate of 34%.

Deferred income tax and social contribution relating to tax losses, negative bases for social contributions and temporary differences, are shown net in the balance sheet when there is a legal right and the intention to offset them when current taxes are calculated, and when they are generally related to the same legal entity and the same tax authority. Thus, deferred tax assets and liabilities relating to different entities, or in different countries, are generally shown separately and not as a net amount. Deferred tax is calculated on the basis of rates forecast for the time it is payable, and reviewed annually.

Tax credits are recognized only to the extent it is likely that a taxable basis will exist against which interim differences may be used.

Advances or amounts subject to offsetting are reported in current and non-current assets, in accordance with their estimated realization.

#### **q) Capital stock and compensation of shareholders**

The capital stock is represented by common and preferred shares. Incremental expenses directly attributable to share issues, when incurred, are shown as a deduction from shareholders' equity, as an additional capital contribution, net of tax effects.

At RESA and RCSA, subsidiaries, a single class A preferred share, such as each common share, entitles the holder to one vote on resolutions at general meetings of each company, and to a fixed annual dividend of R\$0.01. These voting rights are restricted to subsidiaries and not to the Group. Class B and C preferred shares issued by RESA and RCSA are intended as reimbursement for assets of these JVs, represented principally by tax benefits, contributed by the shareholders Cosan and Shell, as they are used by the Group.

Class D are not entitled to vote and shall be entitled to receive an annual fixed dividend to the shareholder Shell, both in RESA as RCSA.

Shareholders are remunerated by dividends and/or interest on equity, within the limits defined in RESA and RCSA by-laws and the current legislation.

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

#### r) **Business combinations**

Business combinations are accounted for using the acquisition method and the Company's identifiable assets, liabilities and contingent liabilities or business acquired are stated at fair value for the purposes of calculation and recognition of the goodwill arising from the transaction in accordance with Brazilian accounting practices. Goodwill corresponds to the excess acquisition cost in relation to the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquired company. If the consideration is lower than the fair value of the assets, liabilities and contingent liabilities acquired, the difference should be recognized in the income statement.

#### s) **Environmental matters**

The Group mitigates the risks associated with environmental matters by way of operating procedures and controls and investments in pollution control equipment and systems. The Group recognized an allowance for environmental losses to the extent that environmental recovery of the damage caused is necessary.

### 3. **Cash and cash equivalents**

	<u>2015</u>	<u>2014</u>
Cash and bank accounts	355,367	474,475
Amounts pending foreign exchange closing (1)	2,062	208,447
Financial investments:		
Investment funds (2)	1,274,554	621,673
Bank Deposit Certificates ("CDBs") (3)	2,234,988	1,031,215
Other investments	161,259	1,811
	<u>4,028,230</u>	<u>2,337,621</u>
Domestic	3,618,802	1,992,905
Abroad	409,428	344,716
	<u>4,028,230</u>	<u>2,337,621</u>

- (1) The amounts pending closing exchange are resources available for immediate redemption without material change in value and refer basically to receipts of funds in foreign currency from customers located abroad. The closing exchange with financial institutions had not occurred as the balance sheet date.
- (2) These amounts correspond to investments in fixed rates management by main financial institutions, which are managed by quotas with daily earnings and are available for immediate redemption without any relevant changes in value. As at March 31, 2015, the average remuneration of such funds was equivalent to 99.9% of the Interbank Deposit Certificate ("CDI") rate (100.9% as at 2014).
- (3) These are financial investments in CDB-type fixed income securities on a buyback basis, with *top tier* financial institutions, remunerated at an average rate of 102.0% of the CDI rate (102.1% in 2014), available for immediate redemption and without expectation of relevant changes in value.

### 4. **Restricted cash**

	<u>2015</u>	<u>2014</u>
Financial investments linked to financing (1)	45,829	71,088
Financial investments related the transactions involving derivatives (2)	54,831	61,826

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### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

Margin on transactions involving derivatives (3)	87,964	171,668
	<u>188,624</u>	<u>304,582</u>

(1) These are financial investments such as Treasury Financial Bills (LFT) with highly-rated financial institutions, which are held pursuant to collateral requirements of financing from Banco Nacional do Desenvolvimento ("BNDES"), with redemption being conditional on the repayment of specific installments of this financing.

(2) These are financial investments such as Bank Deposit Certificates (CDB), with highly-rated financial institutions, used in derivative instruments transactions.

(3) The margin deposits for derivatives transactions refer to margin calls by counterparties in derivative instruments transactions. On March 31, 2015 and 2014, included balances in foreign currency (US\$) in the amount of R\$ 30,651 and R\$ 118,889, respectively.

#### 5. Trade notes receivable

	<u>2015</u>	<u>2014</u>
Accounts receivable – Domestic	1,545,458	1,421,582
Accounts receivable – Abroad	130,575	165,500
Financing provided to customers (i)	407,311	363,472
Provision for doubtful accounts	(179,916)	(174,649)
	<u>1,903,428</u>	<u>1,775,905</u>
Current	(1,605,174)	(1,546,836)
Non-current	<u>298,254</u>	<u>229,069</u>

(i) Financing provided to customers refers to installment payments for past-due debts and sales of properties, as well as financing with the primary purpose of implementing or modernizing gas stations, using collaterals, pledges and guarantees. Financial charges and amortization terms are set forth in agreements and defined based on the financial and economic analysis of each transaction.

The Group does not keep any bonds as guarantees of trade notes receivable.

The maximum exposure to credit risk as at the balance sheet date is the book value of each class of trade account receivables mentioned above.

The following is a breakdown of the maturities of trade accounts receivable:

	<u>2015</u>	<u>2014</u>
To become payable	1,741,808	1,635,805
Overdue:		
Up to 30 days	61,318	52,834
From 31 to 90 days	29,093	29,816
Over 90 days	251,125	232,099
	<u>2,083,344</u>	<u>1,950,554</u>

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

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The Group has security guarantees, such as, pledges and credit letters, on securities overdue and not provisioned.

The activity in the provision for doubtful accounts is presented as follows:

As at March 31, 2013	(180,401)
Provision	(13,893)
Reversal (1)	<u>19,645</u>
As at March 31, 2014	(174,649)
Provision	(36,764)
Reversal (1)	<u>31,497</u>
As at March 31, 2015	<u>(179,916)</u>

(1) Reversals occurs, substantially, hough receiving of securities.

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

#### 6. Recoverable taxes and contributions

	<u>2015</u>	<u>2014</u>
Reimbursement of ICMS (a)	341,773	233,430
Recoverable ICMS (a)	183,809	209,580
ICMS credits derived from the acquisition of property, plant and equipment	71,910	72,353
Employees' Profit Participation Program ("PIS") and Social Contribution on Billings ("COFINS") (b)	57,849	72,068
Special Regime for Reintegration of Tax Values ("Reintegra") (c)	51,300	-
Others	13,017	11,138
Provision for tax losses (i)	<u>(45,868)</u>	<u>(44,704)</u>
	673,790	553,865
Current	<u>(325,138)</u>	<u>(291,310)</u>
Non-current	<u>348,652</u>	<u>262,555</u>

(i) During the fiscal year ended on March 31, 2015, there was no significant change in the provision for tax losses.

#### (a) Reimbursement of ICMS and others ICMS credits

Reimbursement of ICMS derive from inter-state transactions related to the distribution of oil derivatives where the tax levies of the destination state are lower than those withheld by suppliers, provided by Agreement 110/07. The method for reimbursement is through the formalization process from states where, after deferment of the requirement, the payment is effected through a tax replacement, in case of refinery, by crediting the bank account. On March 31, 2015 and 2014, the balance of Reimbursement of ICMS is R\$ 341,773 and R\$ 233,430, respectively.

In order to utilize ICMS credit balances, the Group is internally reviewing certain activities, in particular the logistical review of transactions with changes in supply centers. Additionally, there are requests for special tax regimes pending before the respective state tax authorities, requests for authorization for the transfer of balances between branches within the same state, and an analysis of the sale of credits to third parties. The balance of recoverable ICMS included in this consolidated and combined financial statement reflects the amount the Group expects to realize, less the allowance for losses on credits Management does not expect to realize.

#### (b) PIS and COFINS

Refers to credits generated in the normal operations of the Company.

#### (c) Reintegra

The Reintegra credit established by Law No. 12546 of December 14, 2011, regulated by Decree No. 8304 of September 12, 2014, aims to return part or all of the remaining tax in the production chain of exported goods, which may vary between 0.1% (one tenth percent) and 3% (three percent).

In accordance with MF Ordinance No. 428 of September 30, 2014, the credit is calculated by applying the percentage of 3%, and before March 2015 the credit is calculated by applying the percentage of 1% of the gross revenue, in accordance with MF Ordinance No. 8.415/2015.

Management expects to offset the credits recorded in current assets with the operations and current activities of RESA.

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reals, except when indicated otherwise)

#### 7. Inventories

	<u>2015</u>	<u>2014</u>
Finished products:		
Ethanol	265,056	305,922
Sugar	37,257	49,743
Diesel	448,194	335,362
Gasoline	424,085	342,065
Fuel for jets (Jet A-1)	76,229	105,576
Other	15,377	9,687
Advances to suppliers and finished product	13,808	78,138
Spare parts and others	177,037	182,803
Fair value of sugarcane harvest (agricultural product)	(7,129)	(8,443)
Provision for inventory realization and obsolescence	<u>(15,967)</u>	<u>(10,177)</u>
	<u>1,433,947</u>	<u>1,390,676</u>

The cost of inventories is recognized in the statement of income for the fiscal year ended March 31, 2015, under cost of products sold and services provided in the amount of R\$ 60,487,102 (R\$ 53,851,225 in 2014).

The changes in the provision for inventory losses and allowance for obsolete inventories are as follow:

As at March 31, 2013	(11,487)
Provision	(2,611)
Reversal (1)	<u>3,921</u>
As at March 31, 2014	<u>(10,177)</u>
Provision	(10,222)
Reversal (1)	<u>4,432</u>
As at March 31, 2015	<u>(15,967)</u>

(1) Reversal of the allowance for obsolete inventory losses due to the permanent write-off of inventory or sales of products previously stocked

#### 8. Advances to suppliers

	<u>2015</u>	<u>2014</u>
Sugarcane	278,118	248,463
Materials and services	11,277	4,590
(-) Allowance for losses	<u>(19,480)</u>	<u>(18,343)</u>
	269,915	234,710
Current	<u>(214,743)</u>	<u>(212,869)</u>
Non-current	<u>55,172</u>	<u>21,841</u>

Advances to sugarcane suppliers represent amounts granted by the Group on the date of signature of sugarcane supply agreements, and any corresponding addenda to the agreements, which are then amortized as sugarcane supplies are received. According to the estimates of the amounts of sugarcane to be delivered by the suppliers, these balances will be settled during the next 9 harvests.

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

An allowance for losses is recorded for advances to suppliers for which they have not delivered within the year of the crop. Once the accrual is booked, the case will be sent to the court and after the judicial conclusion is reached, the Company will write off the credits.

#### 9. Other financial assets

	<u>2015</u>	<u>2014</u>
Credits from action for damages (1)	479,556	469,580
National Treasury Certificate – CTN (2)	501,794	434,366
Other	<u>1</u>	<u>1</u>
	981,351	903,947
Current	<u>(12,931)</u>	<u>(13,267)</u>
Non-current	<u>968,420</u>	<u>890,680</u>

- (1) On February 28, 2007, the RESA recognized a gain of R\$ 318,358 corresponding to a lawsuit brought by RESA against the Brazilian government, in which the Group claimed an indemnity because the prices of its products were, at a time in which the sector was subject to governmental control, set by mandate in a manner inconsistent with the economic conditions of the sector.

The final and unappealable decision was favorable to RESA, and the aforementioned gain was recorded in the profit or loss for that year, as a balancing item to non-current assets, under “other financial assets”. RESA is awaiting a final ruling on the manner of payment, which should be in the form of payment writs receivable over up to ten years. As at March 31, 2015, the adjusted balance of this indemnity amounted to R\$ 389,039 (R\$ 376,713 in 2014).

On December 2013, the RESA acknowledged a new indemnity related to a lawsuit brought against the Brazilian government by Destilaria Vale do Tiete S.A. (“Destivale”), which was succeeded by RESA, in the amount of R\$ 122,127. The final and unappealable decision was favorable to RESA, and will be settled in ten annual installments. On January 15, and August 15, 2014, RESA received from the Brazilian government installments of the aforesaid indemnity amounting to R\$ 32,391 and R\$ 13,230, respectively, which was fully reimbursed to Cosan. As at March 31, 2015, the balance of this indemnity recognized in December, 2013, monetarily adjusted and classified in current and non-current assets, totaled R\$ 12,931 and R\$ 77,586 (R\$ 13,267 and R\$ 79,600 in 2014), respectively.

These credits did not form part of the net assets contributed by Cosan to the formation of the RAÍZEN Group. Therefore, RESA recorded a liability for the same amount, classified in current and non-current liabilities, under the heading “related parties”, since it intends to repay these credits to Cosan in full when they are effectively received (Note 10). Consequently, this transaction has not and will not have any impact on RESA's results.

- (2) Corresponds to government securities issued by the Brazilian Treasury under the Special Agricultural Securitization Program (“PESA”), for an original period of 20 years, given as guarantee for the PESA financing program (Note 16). The yield on these securities is the IGPM variation plus annual interest of 12%, which may be capitalized. The value of these securities at maturity will be equivalent to the principal amount of the PESA debt then owing. If the debt is paid early, the RESA may hold those securities in the portfolio until maturity or apply for redemption.

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

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#### 10. Related parties

##### a) Summary of balances and transactions with related parties

	<u>2015</u>	<u>2014</u>
Assets		
Cosan S.A. Indústria e Comércio (1)	449,586	977,467
Shell Brazil Holding B.V. (2)	519,289	473,998
Shell Aviation Limited (3)	97,682	111,676
Shell Brasil Petróleo Ltda. (4)	39,761	20,630
Other	<u>144,445</u>	<u>79,617</u>
Total assets	1,250,763	1,663,388
Current assets	<u>(334,697)</u>	<u>(352,540)</u>
Non-current assets	<u>916,066</u>	<u>1,310,848</u>
Liabilities		
Cosan S.A. Indústria e Comércio (1)	773,099	961,363
Shell Brazil Holding B.V. (2)	207,670	423,433
Shell Brasil Petróleo Ltda. (4)	54,193	32,330
Shell Western Supply and Trading (5)	109,466	-
Other	<u>50,273</u>	<u>36,342</u>
Total liabilities	1,194,700	1,453,468
Current liabilities	<u>(262,269)</u>	<u>(204,119)</u>
Non-current liabilities	<u>932,431</u>	<u>1,249,349</u>

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

	2015	2014
<b>Product sales</b>		
Shell Aviation Limited	1,227,690	1,226,670
Grupo Agricopel	395,371	382,670
Shell Trading US Company	154,425	15,443
Shell Western Supply and Trading	139,470	248,294
Pilipinas Shell Petroleum	82,396	80,294
Other	52,745	1,458
	<u>2,052,097</u>	<u>1,954,829</u>
<b>Purchases of goods</b>		
Grupo Rumo	(298,553)	(362,023)
Agroterenas S.A.	(170,634)	(166,669)
Nova América Agrícola Ltda.	(143,867)	(139,346)
Nova América Agrícola Caarapó Ltda.	(94,897)	(80,637)
Grupo Agricopel	(32,911)	(19,657)
Other	(126,288)	(22,025)
	<u>(867,150)</u>	<u>(790,357)</u>
<b>Recharge of shared expenses (a)</b>		
Companhia de Gás de São Paulo	23,221	-
Grupo Rumo	5,330	5,723
Cosan Lubrificantes e Especialidades S.A.	4,518	4,929
Cosan S.A. Indústria e Comércio	4,330	4,247
Other	1,824	1,705
	<u>39,223</u>	<u>16,604</u>
<b>Leases of land (b)</b>		
Grupo Aguassanta	(32,386)	(28,627)
Grupo Radar	(57,596)	(54,945)
	<u>(89,982)</u>	<u>(83,572)</u>
<b>Financial revenue (expenses) (c)</b>		
Agroterenas S.A.	2,557	894
Shell Brazil Holding B.V.	(3)	12,516
Shell Finance B.V.	(5,640)	(4,361)
Nova América Agrícola Caarapó Ltda.	5,299	1,481
Other	(2,804)	1,945
	<u>(591)</u>	<u>12,475</u>
<b>Revenue from services (d)</b>		
Shell Brasil Petróleo Ltda.	2,285	27,092
Shell Aviation Limited	-	195
	<u>2,285</u>	<u>27,287</u>
<b>Expenses from services (e)</b>		
Shell International Petroleum	(3,743)	(3,229)
Shell Aviation Limited	(222)	-
Shell Brasil Petróleo	(3,859)	(8,923)
Other	(1,011)	-
	<u>(8,835)</u>	<u>(12,152)</u>

- (a) Refers to the share of corporate, managerial and operational costs recharged from related parties.  
 (b) Refers to expenses for the leasing of land from related parties outside of the RAÍZEN Group.  
 (c) Refers to the commission expenses on available credit lines and updated balances of advances granted for the financing of sugar cane crops.  
 (d) Refers to the commission on sales of lubricants Shell; and  
 (e) Refers to expenses for technical support, billing and collections processes for maintenance, commission on the sale of JET and expenses related to secondees with Shell.

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

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#### (1) Cosan S.A. Indústria e Comércio

As at March 31, 2015, the amount recorded in **current assets** refers to amounts spent or payable or to be paid, fully redeemable, in respect to the formation of the Group, of the following kinds: (i) reimbursements of payments in installments of tax debits payable (Refis IV), and other installments, in the amount of R\$ 18,510 (R\$ 65,326 in 2014) (Note 17); (ii) reimbursements of legal and administrative expenses in the amount of R\$ 17,631 (R\$ 8,804 in 2014); (iii) reimbursements of expenses of judicial deposits in the amount of R\$ 44,478 (R\$ 31,012 in 2014), (iv) reimbursements of expenses related to legal claims in the amount of R\$ 21,008 (R\$ 14,355 in 2014), and, (v) reimbursements of expenses related to Safety, Health and the Environment ("SSMA") and other costs in the amount of R\$ 21,574 (R\$ 20,257 in 2014).

The balance of R\$ 8,427 as at March 31, 2014, refers to capital increase effected by Cosan, and was received in full on May, 2, 2014.

The amount recorded in **non-current assets** refers, mainly, to preexisting liabilities in RESA before the formation of the Group, which shall be paid in full by Cosan, when effectively paid, derived from: (i) provision for legal claims in the amount of R\$ 175,485 (R\$ 196,958 in 2014) (Note 19), (ii) installments of tax debits payable (Refis IV) and other installments, in the amount of R\$ 150,900 (R\$ 632,218 in 2014) (Note 17), and, (iii) other reimbursable liabilities in the amount of R\$ 110 in 2014, received in the year ended March 31, 2015.

The reduction of R\$ 528,134 in the consolidated receivables (current and non-current) related to the installments of the tax debts payable (Refis IV) before the formation of the Group has been substantially carried out in the year ended March 31, 2015, due to the accession of Cosan, following Cosan's accession to the tax debt settlement program of the Federal Revenue Service ("SRF"), Law No. 13043. Details are described in Note 17.

As at March 31, 2015, the amount recorded in **current liabilities** refers mainly to the portion reimbursable to Cosan arising from the receipt for Destivale's indemnity actions in the amount of R\$ 12,931 (R\$ 13,267 in 2014) (Note 9) and the remaining balance of R\$ 30,564 (R\$ 23,424 in 2014) corresponds to notes related to debts and other operations, as well as certain financial transfers resulting from the formation of the Group.

The amount registered in **non-current liabilities** refers to credits on actions for indemnity and judicial deposits in the amount of R\$ 466,625 (R\$ 456,313 in 2014) (Note 9) and R\$ 172,450 (R\$ 177,368 in 2014) (Note 19), respectively, which existed before the Group was formed, and are to be reimbursed to Cosan when actually paid, since they were not contributed by Cosan to the establishment of the Group.

The remaining balance in the amount of R\$ 767 refers to credits from actions recorded in Cosan, but where the responsibility for the claims lies with Raízen.

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

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#### Preferred shares payable – Cosan

The preferred shares to pay, which is recorded in noncurrent liabilities refers to the amount of tax benefits to be reimbursed to Cosan, when effectively utilized by RESA and RCSA, determined based on the balance of tax losses, the negative basis of social contribution ("NOL") and the tax benefit on goodwill amortization ("GW"). The payment will be made through the distribution by RESA of unique dividends to holders of Class B preferred shares (Note 21.a), the balance on March 31, 2014 was R\$ 290,991. Currently, only Cosan holds this class of shares.

At the Annual General Meeting held on July 28, 2014, the Company's shareholders resolved and approved payments in the amount of R\$ 42,381, or less than that declared on March 31, 2014, at R\$ 1,255. RESA made payment in relation to these preferred shares on 29 July 2014. In the Annual General Meeting held on the same date, RCSA's shareholders approved the payment in the amount of R\$ 15,126.

During the fiscal year ended March 31, 2015, RESA joined the program for the settlement of debts in the SRF through the use of NOL (Note 17). Therefore, RESA partially used the NOL balances owned by Cosan, arising prior to the formation of the Group, resulting in a decrease in the preferred shares by the amount of R\$ 157,010. The amount used of Cosan property NOL credits was R\$ 171,750, of which R\$ 14,740 had not recognized preferred shares, as these credits were registered before the formation of the Group, due to the absence of probability of use at that time.

Additionally, on March 31, 2015, RESA paid preferred shares through the distribution of unique dividends to the holders Cosan, un the amount of R\$ 15,221, paid during the year ended March 31, 2015.

On March 31, 2015, RESA proposed to pay dividends to holders of Class B preferred shares, in the amount of R\$ 15,221, orresponding to the partial use of the tax benefit of the fiscal year.

On March 31, 2015, the remaining balance of the Class B preferred shares payable to Cosan totaled R\$ 89,762.

#### **(2) Shell Brazil Holding B.V. ("SBHBV")**

The amounts recorded in **current assets** correspond to the amounts reimbursable to SBHBV, of which: (i) R\$ 12,534 (R\$ 13,103 in 2014), the provision for contingencies (Note 19), (ii) reimbursements of expenditure on bank guarantees for lawsuits brought by the Group R\$ 14,663 (R\$ 15,473 in 2014), (iii) reimbursements of expenditure for SSMA R\$ 2,859 (R\$ 3,207 in 2014), (iv) reimbursements of expenditure on judicial deposits R\$ 14,772 (R\$ 11,822 in 2014), (v) reimbursements of expenditure on contingencies R\$ 6,174 (R\$ 4,347 in 2014), (vi) reimbursements of expenditure on attorneys' fees and court costs R\$ 5,501 (R\$ 7,162 in 2014), and, (vii) other reimbursable expenditure R\$ 4,138 (R\$ 655 in 2014).

The amount recorded in **non-current assets** refers mainly to the provision for claims made by SBHBV to the Group, which should be fully reimbursed to the Group, when effectively paid, amounting to R\$ 458,648 (R\$ 418,229 in 2014) (Note 19).

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

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The amount recorded in **current liabilities** corresponds principally to: (i) provision for losses on deposits for judicial amounting to R\$ 864 (R\$ 676 in 2014) (Note 19), and (ii) other reimbursable expenses amounting to R\$ 6,030 (R\$ 9,582 in 2014). In June 2014, RCSA paid to SBHBV tax credits in the amount of R\$ 95,235.

The amount recorded in **non-current liabilities**, mainly refers to: (i) provision for losses related to deposits amounting to R\$ 17,946 (R\$ 28,390 in 2014) (Note 19), and (ii) reimbursement of legal deposits amounting to R\$ 30,490 (R\$ 41,873 in 2014) (Note 19).

#### **Preferred shares payable – SBHBV**

The preferred shares recorded in **non-current liabilities** refer mainly to the amount of tax benefits reimbursable to Shell Brazil Holding B.V. when effectively utilized by the Group, amounting to R\$ 148,802 (R\$ 244,139 in 2014) and of the same nature of those owed by RESA. The payment will be made through the distribution of exclusive dividends to the holders of Class C preferred shares (Nota 21.a). In the year ended March 31, 2015 was paid R\$ 95,337 currently only SBHBV holds this class of shares.

From the incorporation of Ispagnac Participações Ltda. ("IPL") by REPSA, and subsequently by the RESA, that occurred on November 30, 2012, Class C preferred shares that ensure an exclusive basis for Shell dividends amounting to R\$ 3,538, through the use of tax credits by the RESA were issued to resource the current account that made those corporate assets (Note 21.a). The balances of R\$ 932 and R\$ 2,606 are classified as current and non-current liabilities respectively.

#### **(3) Shell Aviation Limited**

The amount in **current assets** of R\$ 97,682 (R\$ 111,676 in 2014) refers to the sale of fuel made by RCSA in Brazil to Shell Aviation to supply foreign airlines.

#### **(4) Shell Brasil Petróleo Ltda. ("SBPL")**

The amount recorded in **current assets** refers mainly to: (i) liabilities contributed by SBPL to the formation of the Raízen Group which are to be reimbursed to RCSA in full, when actually paid, arising from the provision for judicial claims in the amount of R\$ 3,366 (R\$ 2,299 in 2014) (Note 19), (ii) costs of commercial operations in the amount of R\$ 3,208 (R\$ 4,884 in 2014).

The amount recorded in **non-current assets** refers to liabilities contributed by SBPL to the organization of the Raízen Group, which should be fully reimbursed to RCSA, when effectively paid, arising from the provision for claims in the amount of R\$ 33,187 (R\$ 13,447 in 2014) (Note 19).

The amount recorded in **current liabilities** refers mainly to: (i) tax credits in the amount of R\$ 6,270 (same in 2014) which will be reimbursed to the shareholder when effectively used by RCSA, (ii) provision return for payment of sales commissions of lubricants in the amount of R\$ 42,858 (R\$ 16,187 in 2014) which have been received in advance, and, (iii) other services and commercial transaction in the amount of R\$ 2,081 (R\$ 2,639 in 2014).

The amount of R\$ 2,984 (R\$ 7,234 in 2014) recorded in **non-current liabilities** refers to judicial deposits existing before the Group's organization, and judicial deposits incumbent upon the shareholders paid after the Group's organization which should be reimbursed when effectively realized (Note 19).

## Raízen Group

### Management's notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Brazilian Reais, except when indicated otherwise)

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**(5) Shell Western Supply and Trading**

On March 31, 2015, the balance recorded in current liabilities refers to purchase of diesel in abroad by the subsidiary Blueway Trading Importadora e Exportadora S.A..

**b) Officers and members of the Board of Directors**

The total remuneration and benefits paid to Management's key personnel and officers, and members of the executive committee were as follow:

	<u>2015</u>	<u>2014</u>
Salary	42,226	37,743
Bonuses and other variable compensation	<u>31,488</u>	<u>31,803</u>
Total compensation	<u>73,714</u>	<u>69,546</u>

## Raízen Group

### Management notes to the combined and consolidated financial Information as at December 31, 2014 (In thousands of Reais, except when indicated otherwise)

#### 11 Investments

	Country	Business	Quantity of shares/quotas of investee (2)	Quantity of shares/quotas of investing company (2)	Percentage of interest	Investments (1)		Equity
						2015	2014	2015
<u>Book value</u>								
Centro de Tecnologia Canavieira S.A.	Brazil	R&D	718,132	150,305	20.93%	68,574	35,977	1,962
Codexis Inc. (6)	United States	R&D	-	-	-	-	13,734	(6,684)
Logum Logística S.A.	Brazil	Logistic	1,407,803,888	281,560,778	20%	64,370	49,496	(29,054)
Uniduto Logística S.A.	Brazil	Logistic	234,847,909	109,172,285	46.48%	30,587	20,285	(161)
Serviços e Tecnologia de Pagamentos S.A. (5)	Brazil	Collection system	22,297,600	2,229,760	10%	74,541	71,275	13,696
Subtotal						238,072	190,767	(20,241)
<u>Goodwill on investment (4)</u>								
At Uniduto Logística S.A.						5,676	5,676	-
At Centro de Tecnologia Canavieira S.A.						41,379	37,098	-
At Serviços e Tecnologia de Pagamentos S.A.						184,436	184,436	-
						231,491	227,210	-
Total of investment						469,563	417,977	(20,241)
<u>Provision for capital deficiency in subsidiaries (3)</u>								
Unimodal Ltda.	Brazil	Logistic	2,697	1,980	73.41%	(2,653)	(2,642)	(1)
Provision for subsidiary unsecured liabilities						(2,653)	(2,642)	(1)
								(20,242)

(1) Investments evaluated using the equity accounting method;

(2) Shares/quotas in units;

(3) Classified in non-current liabilities;

(4) Goodwill on the acquisition of shares;

(5) On March 31, 2015 includes the profit amount of net intangible assets of tax amounting to R\$ 47,284 (R\$ 53,605 in 2014). The amortization of profit classified as equity accounting amounted in the fiscal year ended March 31, 2015, R\$ 2014); and,

(6) On March 31, 2015 RESA sold all the shares of Codexis (Note 24).

## Raízen Group

### Management notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Reais, except when indicated otherwise)

The following changes in investments in subsidiaries and affiliates took place, excluding the provision for unfunded liabilities:

	2015	2014
Initial balance	417,977	267,489
Equity accounting	(20,241)	(24,354)
Additions to investments (Note 11.b e 11.c)	58,964	283,228
Write-off	-	(23,900)
Dividends declared	(10,430)	(4,369)
Increase in capital through dilution of shareholding (Note 11.c.iii)	30,333	-
Allocation to intangible assets (Note 14)	-	(61,629)
Transfer to other financial assets (Note 24.ii)	(8,147)	-
Other	1,107	(18,487)
Final balance	469,563	417,977

During the fiscal year ended March 31, 2015 and 2014 no movements occurred in the provision for negative equity in affiliates.

#### a) Summarized financial statements of the investments:

##### i) The principal account headings of affiliates not included in the consolidation are as follow:

- As at March 31, 2015

	Logum Logística S.A.(1)/(2)	Uniduto Logística S.A.(1)/(2)	Centro de Tecnologia Canavieira S.A.(2)	Unimodal Ltda.(4)	Iogen Energy Corporation (3)	Services of Payment Technology (1)/(2)
Assets	2,049,903	65,810	454,036	-	48,652	1,197,732
Liabilities	(1,728,055)	(4)	(126,403)	(3,617)	(283,746)	(925,164)
Shareholders' equity	321,848	65,806	327,633	(3,617)	(235,094)	272,568
Net operating revenue	41,479	-	75,093	-	-	671,749
Net profit (loss)	(145,266)	(346)	499	(15)	(15,377)	200,164

- As at March 31, 2014

	Logum Logística S.A.(1)/(2)	Uniduto Logística S.A.(1)/(2)	Codexis, Inc. (1)/(2)	Centro de Tecnologia Canavieira S.A.(2)	Unimodal Ltda	Iogen Energy Corporation (3)	Services and Payment Technologies (1)/(2)
Assets	1,752,011	43,650	137,839	271,262	1	45,765	960,034
Liabilities	(1,504,533)	(9)	(40,661)	(117,387)	(3,603)	(231,162)	(783,330)
Shareholders' equity	247,478	43,641	97,178	153,875	(3,602)	(185,397)	176,704
Net operating revenue	3,500	-	68,913	56,875	-	-	299,855
Net profit (loss)	(117,148)	(395)	(89,165)	(910)	-	(1,904)	100,801

(1) The fiscal year of these affiliates ends on December 31 each year;

(2) The determination of significant influence in these companies was made on the basis that the Group has the right to appoint key personnel to manage them, as well as the right to decide on material strategic and operational matters;

(3) A jointly-controlled company with its fiscal year ending on August 31 of each year. The Group has not constituted a provision for unfunded liabilities and equity accounting losses, since it has no liability for constructive obligations (not formalized) to make payments on the account of this company; and,

(4) Year ended March 31 each year.

## Raízen Group

### Management notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Reais, except when indicated otherwise)

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#### b) **Business combination and corporate restructuring**

##### i) **Acquisition of interest in affiliate Serviços e Tecnologia de Pagamentos S.A. (“STP”)**

On October 3, 2013, the Group through its subsidiary Sampras, over which RCSA holds 100% of shareholders' equity, acquired 10% of common shares of Serviços e Tecnologia de Pagamentos S.A. (“STP”) for the amount of R\$ 250,000 paid in cash. STP and RCSA are developing a new collection system of fuels in the Group's services terminals.

The allocation of purchase price was concluded by Management according to the appraisal report made by an independent specialized company at the base date of March 31, 2014, based on the fair value of the purchased assets and assumed liabilities, as below:

<b>Line Items</b>	<b>Total</b>
Intangible (a)	81,219
Deferred income tax and social contribution	<u>(27,614)</u>
	53,605
Other assets, net	<u>11,959</u>
	65,564
Consideration transferred	<u>250,000</u>
Goodwill	<u>184,436</u>

The fair value of assets acquired and liabilities assumed is classified at level 3.

(a) The income of assets shall be amortized according to the following defined useful lives:

<b>Intangible</b>	<b>Useful Life</b>	<b>Total</b>
Non-competition agreement	60 months	1,457
Non-contractual relationship with customers	147 months	53,715
Brand	183 months	<u>26,047</u>
		<u>81,219</u>

#### c) **Transactions of interest in affiliates**

##### **Transactions during the fiscal year ended March 31, 2015**

##### i) **Capital increase in Logum Logística S.A. (“Logum”)**

On May 23, 2014, a Board meeting (“RCA”) of the subsidiary Logum resolved to approve a capital increase in the company of R\$ 81,230, through the issue of 231,830,850 new common shares. RESA subscribed for and paid in a total of R\$ 16,246, corresponding to 46,366,170 common shares.

On the RCA of July 30, 2014, an RCA discussed and approved a capital increase in the company in the amount of R\$ 52,857, through the issuance of 155,644,876 new ordinary shares. The amount subscribed and paid by RESA in this operation totaled R\$ 10,572, corresponding to 31,128,975 common shares.

## **Raízen Group**

### **Management notes to the combined and consolidated financial information as at March 31, 2015** **(In thousands of Reais, except when indicated otherwise)**

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On November 3, 2014, an RCA discussed and approved a capital increase in the amount of R\$ 65,527, through the issuance of 234,025,000 new ordinary shares. The amount subscribed and paid by RESA in this operation totaled R\$ 13,105, corresponding to 46,805,000 common shares.

On March 13, 2015, in an RCA the capital increase of the company in the amount R\$ 20,000, through the issuance of 80,000,000 new common shares. The amount subscribed by RESA and paid in this transaction totaled R\$ 4,000, corresponding to 16,000,000 common shares.

In these operations, there were no variation in the percentage of participation in the share capital of the investee, since all shareholders effected capital contributions in proportion to their share previously held.

#### **ii) Capital increase in Uniduto Logística S.A. (“Uniduto”)**

On May 20, 2014, an RCA of the subsidiary Uniduto resolved to approve a capital increase in the company by R\$ 8,573, through the issue of 30,303,995 new common shares, RESA subscribed for and paid in a total of R\$ 3,891, corresponding to 14,085,297 common shares.

On July 31, 2014, in an RCA, the capital increase of the company amounting to R\$ 5,286 was discussed and approved, through the issuance of 18,790,260 new ordinary shares. The amount subscribed by RESA and paid in this operation totaled R\$ 2,457, corresponding to 8,732,904 common shares.

On November 3, 2014, an RCA discussed and approved a capital increase in the company amounting to R\$ 6,553, through the issuance of 23,327,519 new ordinary shares. The amount subscribed by RESA and paid in this operation totaled R\$ 3,045, corresponding to 10,842,631 common shares.

On March 11, 2015, in an RCA the capital increase of the company in the amount of R\$ 2,300, through the issuance of 8,193,800 new ordinary shares. The amount subscribed by RESA and paid in this transaction totaled R\$ 1,069, corresponding to 3,808,478 common shares.

In these operations, there were no variation in the percentage of participation in the share capital of the investee, since all shareholders effected capital contributions in proportion to their share previously held.

#### **iii) Capital increase in Centro de Tecnologia Canavieira S.A. (“CTC”)**

At the Extraordinary General Meeting held on July 10, 2014, the capital increase amounting to R\$ 165,002 was discussed and approved by the shareholders of CTC, through the issuance of 83,741 new ordinary shares. The amount subscribed by RESA in this operation totaled R\$ 4,579, corresponding to 2,324 shares, 50% of the subscribed amount of R\$ 2,291 was paid on September 19, 2014 and the balance of 50% should be paid by March 31, 2015. As stipulated in the shareholders' agreement of CTC, in this operation RESA gave 90.9% of its rights to the preferential allocation of shares of CTC. Thus, its percentage interest in the capital went from 23.33% to 20.93%, generating a capital gain on the dilution of equity interest amounting to R\$ 30,333, recorded in Other operating income, net (Note 24).

#### **Transactions during the fiscal year ended March 31, 2014**

## **Raízen Group**

### **Management notes to the combined and consolidated financial information as at March 31, 2015** (In thousands of Reais, except when indicated otherwise)

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#### **iv) Logum Logística S.A. (“Logum”) capital increase**

On September 12, 2013, at the Board of Directors meeting (“RCA”) of the investee Logum, the capital increase of the company in the amount of R\$ 80,000 was resolved and approved upon the issue of 158,056,914 new common shares. The amount subscribed and paid in by RESA in this operation totaled R\$ 16,000, corresponding to 31,611,383 common shares.

Additionally, the RCA held on November 19, 2013 by Logum discussed and approved a new capital increase of the company in the amount of R\$ 53,000, upon the issuance of 117,689,804 new common shares. The amount subscribed and paid in by RESA in this transaction totaled R\$ 10,600, corresponding to 23,537,961 common shares.

In these operations, there were no alteration in the percentage of capital stock interest of such investee, once all shareholders made contributions proportionately to their interest previously held.

#### **v) Uniduto Logística S.A. (“Uniduto”)**

On September 9, 2013, RESA, through a share purchase and sale agreement, acquired 528,406 common shares issued by Uniduto, in the amount of R\$ 354, representing 0.49% interest in the capital of the company, resulting in a goodwill of R\$ 204 in this transaction. Accordingly, RESA started to hold a 46.47% interest in the capital of Uniduto.

On the same date, the meeting of the Board of Directors of the investee Uniduto discussed and approved the company’s capital increase by the amount of R\$ 8,000. The amount subscribed and paid in by RESA in this transaction totaled R\$ 3,718.

Additionally, the RCA held on November 19, 2013 by Uniduto discussed and approved a new company’s capital increase by the amount of R\$ 5,300. The amount subscribed and paid in by RESA in this transaction totaled R\$ 2,463.

In February 2014 RESA transferred financial resources to Uniduto, in the amount of R\$ 93, as advance for future capital increase.

In these operations, except for shares acquired on September 9, 2013, there were no alteration in the percentage of capital stock interest of such investee, once all shareholders made contributions proportionately to their interest previously held.

## Raízen Group

### Management notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Reais, except when indicated otherwise)

#### 12. Biological assets

Changes in biological assets (sugarcane) are detailed below:

	<u>2015</u>	<u>2014</u>
Initial balance	2,036,693	1,978,477
Expenditure on plantations (1)	385,102	399,889
Expenditure on tracts of sugarcane (1)	541,531	506,097
Absorption of costs of sugarcane harvest	(972,128)	(794,238)
Changes in fair value	(31,339)	(68,772)
Acquisition of Cerrado (Note 30)	-	15,240
Final balance	1,959,859	2,036,693

(1) Included agricultural assets depreciation of R\$ 75,222 (R\$ 67,339 in 2014).

#### Sugarcane plants

The cultivated areas represent only the sugarcane plantations, without taking into account the land on which the crops are planted. The fair value of biological assets is classified at level 3 and following assumptions were used to determine fair value using the discounted cash flow method:

	<u>2015</u>	<u>2014</u>
Estimated area of the harvest (hectare)	412.738	425.708
Productivity expected (tons per sugarcane, per hectare)	75.30	79.67
Amount of Total Recoverable Sugar ("TRS")(Kg)	132.60	134.14
Price per Kg of projected average TRS (R\$/Kg)	0.52	0.49

Sugarcane production depends on the volume and content of sucrose of the sugarcane cultivated or supplied by farmers located close to Group's plants. The crop's yield and the sucrose content in the sugarcane depend primarily on weather conditions, such as the level of rain and temperature, which may vary.

Historically, weather conditions have caused volatility in the ethanol and sugar sectors and, consequently, in the results of RESA's operations. Weather conditions can reduce the volume of sugar and sugarcane obtained by RESA in a given period, or the sucrose content of the sugar cane. The annual harvest period of the sugarcane in the region begins between April and May and ends in November or December. This causes inventory fluctuations, whereby the level is normally high in November and December to cover sales in the off-season period (that is, from December to April). There is also a degree of seasonality in gross profit, which is lower in the last quarter of the fiscal year (i.e., October to December).

The RESA adopted various estimates to evaluate the sugar cane fields according to the methodology established by IAS 41 – Agriculture. The discount rate used for calculated corresponding to 7,73% per year. These estimates were based on the market benchmarks, which are subject to the scenario changes that may impact the financial statements. A decrease of 5% in market prices of sugar cane, would result in a reduction of the fair value of biological assets in the approximately amount of R\$ 175,672, net of taxes. If the discount rate present an increase of 0.5 p.p. would cause a reduction in the fair value of biological assets in the amount approximately of R\$ 18,726, net of taxes.

## Raízen Group

### Management notes to the combined and consolidated financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

(A free translation of the original in Portuguese)

#### 13. Property, plant and equipment

##### At March 31, 2015

	Land and rural properties	Buildings and improvements	Machinery, equipment and installations	Aircraft and vehicles	Furniture, utensils and computer equipment	Construction in progress	Parts and components to be periodically replaced	Other
Cost or valuation:								
As at March 31, 2014	721,384	1,229,330	8,091,579	579,442	183,836	1,199,134	1,047,437	49,451
Additions	-	-	43,075	22	555	986,133	624,883	-
Business combinations (1)	62	478	27,120	-	-	-	-	-
Reversal for contributed amounts (2)	(4,574)	-	-	-	-	-	-	-
Write-offs	(49,391)	(15,443)	(270,777)	(21,942)	(16,535)	(71)	-	-
Transfers between cost and depreciation	-	-	(18,306)	-	-	-	(553,340)	-
Transfers (3)	16,149	92,492	729,463	84,106	24,279	(969,238)	-	4,268
Provision for losses (4)	-	-	(3,189)	-	-	(5,489)	-	-
Other	-	-	-	-	682	-	-	-
As at March 31, 2015	683,630	1,306,857	8,598,965	641,628	192,817	1,210,469	1,118,980	53,719
Depreciation:								
As at March 31, 2014	-	(377,412)	(2,703,373)	(259,000)	(119,227)	-	(553,340)	(23,190)
Expense with depreciation for the fiscal year	-	(19,970)	(451,374)	(41,152)	(20,982)	-	(596,376)	(6,657)
Write-offs	-	10,558	240,273	20,711	14,339	-	-	-
Transfers between cost and depreciation	-	-	18,306	-	-	-	553,340	-
Transfers (3)	-	(1,054)	1,838	253	3,805	-	-	(504)
As at March 31, 2015	-	(387,878)	(2,894,330)	(279,188)	(122,065)	-	(596,376)	(30,351)
Residual value, net:								
As at March 31, 2015	683,630	918,979	5,704,635	362,440	70,752	1,210,469	522,604	23,368
As at March 31, 2014	721,384	851,918	5,388,206	320,442	64,609	1,199,134	494,097	26,261

(1) Acquisition of Latina (Note 30).

(2) Reversal of the amounts contributed relating to business combination with Cosan Combustíveis e Lubrificantes S.A..

(3) Includes the transfer of current assets in the amount of R\$ 10,290 and R\$ 3,442, related to non-recoverable ICMS credits and the advanced expenses, and transfer of intangible assets, in the amount of R\$ 27,875, corresponding to licenses.

(4) Refers to inventory losses recorded in income under Other operating revenue, net (Note 24).

## Raízen Group

### Management notes to the combined and consolidated financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

(A free translation of the original in Portuguese)

#### At March, 31, 2014

	Land and rural properties	Buildings and improvements	Machinery, equipment and installations	Aircraft and vehicles	Furniture, fixtures and computer equipment	Construction-in-progress	Parts and components to be periodically replaced	Other	
Cost or valuation:									
On March 31, 2013	831,251	1,168,693	7,443,282	481,554	178,477	977,054	1,102,438	42,685	12,000
Additions	-	576	51,741	-	1,504	1,240,461	561,761	-	1,000
Write-offs	(113,623)	(20,449)	(160,209)	(10,563)	(10,315)	-	-	(1,410)	(1,000)
Transfers from cost to depreciation	-	(654)	(4,957)	(420)	(41)	(482)	-	-	(1,000)
Transfers (1)	3,756	81,164	761,722	108,871	14,044	(1,017,899)	(616,762)	2,384	(1,000)
Provision for losses	-	-	-	-	-	-	-	5,792	(1,000)
Other	-	-	-	-	167	-	-	-	(1,000)
On March 31, 2014	721,384	1,229,330	8,091,579	579,442	183,836	1,199,134	1,047,437	49,451	13,000
Depreciation:									
On March 31, 2013	-	(345,063)	(2,460,261)	(231,741)	(108,354)	-	(616,762)	(20,679)	(3,000)
Expense with depreciation for the fiscal year	-	(46,856)	(370,162)	(36,498)	(20,230)	-	(553,340)	(3,889)	(1,000)
Write-offs	-	13,895	121,447	9,095	8,886	-	-	1,378	(1,000)
Transfers from cost to depreciation	-	654	5,440	107	353	-	-	-	(1,000)
Transfers (1)	-	(42)	163	37	118	-	616,762	-	(1,000)
On March 31, 2014	-	(377,412)	(2,703,373)	(259,000)	(119,227)	-	(553,340)	(23,190)	(4,000)
Residual value, net:									
On March 31, 2014	721,384	851,918	5,388,206	320,442	64,609	1,199,134	494,097	26,261	9,000
On March 31, 2013	831,251	823,630	4,983,021	249,813	70,123	977,054	485,676	22,006	8,000

(1) Includes the transfer of current assets in the amount of R\$ 9,059, related to non-recoverable ICMS credits and transfer of intangible assets, in the amount of R\$ 53,116 and R\$ 1,625, software licenses.

(2) Includes inventory losses in the amount of R\$ 1,373 and reversal for doubtful accounts in the amount of R\$ 7,165 recorded as income under Other operating revenue, net (Note 24).

## **Raízen Group**

### **Management notes to the combined and consolidated financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)**

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#### **Construction in progress**

The balances of construction in progress refer mainly to:

- the vinasse concentration project,
- investments in sugarcane milling growth,
- the cut sugarcane reception project and straw separation for power co-generation,
- the installation of tanks to expand ethanol storage capacity,
- investments in industrial maintenance and improvements, agricultural automation, SSMA and administrative investments,
- projects for the construction of new fuel distribution terminals and expansion, and the modernization of existing terminals,
- investments in Shell-branded gas stations, such as replacing fuel pumps, ensuring environmental adequacy, image refurbishment, refurbishing and restoring convenience stores, purchasing furniture and equipment and installing it in convenience stores,
- investments in major customers (B2B) such as the purchase and installation of equipment, and the installation of supply stations for these major customers, and,
- investments in airports where RCSA distributes fuel, such as the purchase of supply vehicles, the expansion of hydrant and supply point networks (PA), the installation of infrastructure for new airports, and the modernization and improvement of existing airports.

#### **Capitalization of loan costs**

In the fiscal year ended March 31, 2015, loan costs of capitalized loans in the Group amounted to R\$ 40,636 (R\$ 65,737 in 2014). The weighted average rate of financial charges on debt, used to capitalize interest on the balance of construction in progress, was 5.86% (5.81% in 2014).

#### **Finance leases**

On March 31, 2015, the class of property, plant and equipment relating to aircraft includes net residual values of R\$ 5,694 (R\$ 6,662 in 2014), for which RESA is the lessee in a financial leasing operation.

#### **Property, plant and equipment pledged**

As at March 31, 2015, loans and financing were secured by land, buildings and machinery of R\$ 1,957,387 (R\$ 2,291,344 in 2014).

## Raízen Group

### Management notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Reais, except when indicated otherwise)

#### 14. Intangibles

##### • March, 31, 2015

	Software licenses (3)	Goodwill	Trademarks	Agricultural partnership agreement	Sugarcane supply agreements	Contractual relationship with customers	Rights of exclusivity of supply	Right to use public concessions	Technology (4)	Other (1)
Cost or valuation:										
As at March 31, 2014	277,314	1,915,811	529,862	6,107	178,286	319,402	1,709,793	12,543	234,936	27,247
Additions	18,674	-	-	-	-	-	507,135	-	-	-
Business combinations (Note 11.b.i)	-	70,432	7,301	-	-	43,432	3,073	-	-	-
Reversal for contributed amounts	-	3,274	-	-	-	-	-	-	-	-
Final allocation of the acquisition of Cerrado (Note 11.b.ii)	-	(9,003)	-	12,303	3,230	-	-	-	-	-
Write-offs	(1,908)	-	(4,822)	1	-	-	(13,074)	(2)	-	-
Transfers (2)	32,213	(2,483)	-	-	-	-	-	-	-	-
Provision for losses (5)	-	-	-	-	-	-	-	-	(55,060)	-
Other	-	-	-	-	-	-	-	-	-	3,775
As at March 31, 2015	326,293	1,978,031	532,341	18,411	181,516	362,834	2,206,927	12,541	179,876	31,022
Amortization:										
As at March 31, 2014	(197,570)	(431,380)	(157,960)	(1,759)	(44,236)	(38,638)	(710,339)	(3,309)	-	(17,064)
Amortization in the fiscal year	(26,863)	-	(56,672)	(4,044)	(11,718)	(18,752)	(266,043)	(2,466)	-	(2,066)
Write-offs	1,886	-	4,822	-	-	-	13,075	3	-	-
Transfers (2)	(4,338)	-	-	-	-	-	84	-	-	-
As at March 31, 2015	(226,885)	(431,380)	(209,810)	(5,803)	(55,954)	(57,390)	(963,223)	(5,772)	-	(19,130)
Residual value, net:										
As at March 31, 2015	99,408	1,546,651	322,531	12,608	125,562	305,444	1,243,704	6,769	179,876	11,892
As at March 31, 2014	79,744	1,484,431	371,902	4,348	134,050	280,764	999,454	9,234	234,936	10,183

(1) Includes Intangible assets recorded in Raízen Trading, controlled by RESA, corresponding to the customer base and operating licenses in Europe and the United States.

(2) On March 31, 2015, net transfers in the amount of R\$ 25,472: (a) reclass of propert, plant and equipment in the amount of R\$ 27,875; (b) reclass of exclusive rights in the amount of R\$ 80, substantially reclassified as receivable; and, (c) transfer of deferred taxes credits in the amount of R\$ 2,483.

(3) As of March 31, 2015, software licenses net amounted of R\$ 1,421 (R\$ 2,842 in 2014). The Company is the lessee for financial leasing operation agreements.

(4) RESA build Brazil's first cellulosic ethanol unit at Piracicaba (SP). The new ethanol plant has a capacity of 50 million liters p.a. and will use technology developed by Iogen and Codexis for the production of generation ethanol. This technology is represented by contractual rights including exclusivity for RESA to sell the rights in the territories where it operates. Amortization will start when the plant is ready for use. It is expected to be in the year ending March 31, 2015, and continue over the estimated period of financial returns from the technology developed for "E2G" production.

(5) At March 31, 2015, RESA estimated the loss related to the use of acquired Codexis technology. Therefore, we performed an impairment amounting to R\$ 55,060 (R\$ 6,569 in 2014) recognized in the income statement as Other operating income, net (Note 24).

## Raízen Group

### Management notes to the combined and consolidated financial information as at March 31, 2015 (In thousands of Reais, except when indicated otherwise)

#### • March, 31, 2014

Cost or valuation:	Software licenses	Goodwill	Trademark	Agricultural partnership agreement	Sugar-cane supply agreements	Contractual relationship with customers	Rights of exclusivity of supply	Right to use public concessions	E2g Technology	Other
On March 31, 2013	206,266	1,883,481	594,395	9,375	157,439	366,788	1,335,733	10,811	-	51,943
Additions	5,868	-	-	-	-	-	389,581	-	-	-
Write-offs	(25,689)	-	(64,533)	-	-	(47,386)	-	-	-	(4,332)
Addition through capital payment	-	-	-	-	-	-	-	-	179,876	-
Final allocation of Costa Rica acquisition	-	(1,333)	-	(3,268)	20,847	-	-	-	-	-
Provisory allocation of Cerrado acquisition	-	33,663	-	-	-	-	-	-	-	-
Transfer	53,127	-	-	-	-	-	(15,521)	1,732	61,629	-
Transfer between cost and amortization	37,742	-	-	-	-	-	-	-	-	(21,917)
Provision for losses	-	-	-	-	-	-	-	-	(6,569)	-
Other	-	-	-	-	-	-	-	-	-	1,553
On March 31, 2014	<u>277,314</u>	<u>1,915,811</u>	<u>529,862</u>	<u>6,107</u>	<u>178,286</u>	<u>319,402</u>	<u>1,709,793</u>	<u>12,543</u>	<u>234,936</u>	<u>27,247</u>
Amortization:										
On March 31, 2013	(166,014)	(431,380)	(169,989)	(879)	(32,536)	(70,872)	(491,359)	(1,040)	-	(36,739)
Amortization expense in the year	(19,492)	-	(52,504)	(880)	(11,700)	(15,152)	(218,980)	(2,162)	-	(6,574)
Write-offs	25,689	-	64,533	-	-	47,386	-	-	-	4,332
Transfers between cost and amortization	(37,742)	-	-	-	-	-	-	-	-	21,917
Transfers	(11)	-	-	-	-	-	-	(107)	-	-
On March 31, 2014	<u>(197,570)</u>	<u>(431,380)</u>	<u>(157,960)</u>	<u>(1,759)</u>	<u>(44,236)</u>	<u>(38,638)</u>	<u>(710,339)</u>	<u>(3,309)</u>	<u>-</u>	<u>(17,064)</u>
Residual value, net:										
On March 31, 2014	<u>79,744</u>	<u>1,484,431</u>	<u>371,902</u>	<u>4,348</u>	<u>134,050</u>	<u>280,764</u>	<u>999,454</u>	<u>9,234</u>	<u>234,936</u>	<u>10,183</u>
On March 31, 2013	<u>40,252</u>	<u>1,452,101</u>	<u>424,406</u>	<u>8,496</u>	<u>124,903</u>	<u>295,916</u>	<u>844,374</u>	<u>9,771</u>	<u>-</u>	<u>15,204</u>

(1) On March 31, 2014, the net transfers in the amount of R\$ 100,849 includes: (a) reclass of property, plant and equipment in the amount of R\$ 54,741; (b) provision of exclusive rights in the amount of R\$ 21,917; and, (c) reclass of the investment in Codexis, referring to E2G contracts, in the amount of R\$ 61,629 (Note 11).

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

#### Goodwill

Goodwill refers to the expectation of future profitability. As at March 31, 2015 and March 31, 2014, the balance of goodwill was as follows:

	<u>2015</u>	<u>2014</u>
On the acquisition of Costa Rica Canavieira Ltda	57,169	57,169
On the acquisition of Cerrado Açúcar e Alcool S.A. (Note 30.iii)	24,660	33,663
On the acquisition of RESA (former Cosan S.A. Açúcar e Alcool)	558	558
On the acquisition of Univalem S.A. Açúcar e Alcool	5,018	5,018
On the acquisition of Usina Açucareira Bom Retiro S.A.	81,575	81,575
On the acquisition of Usina Benálcool	149,247	149,247
On the acquisition of Usina Santa Luíza	42,348	42,348
On the acquisition of Usina Zanin Açúcar e Alcool	98,380	98,380
On the acquisition of Vertical	4,313	4,313
Purchase of shares of TEAS (Note 11.b.vi)	4,818	7,301
On the acquisition of Grupo Corona	380,003	380,003
On the acquisition of Grupo Destivale	42,494	42,494
On the acquisition of Grupo Mundial	87,435	87,435
On the acquisition of Latina (Note 30.i)	70,432	-
On the organization of FBA – Franco Brasileira S.A. Açúcar e Alcool	4,407	4,407
On the incorporation of Curupay S.A.	109,841	109,841
Payment of capital of Mundial	14,800	14,800
On the business combination of Cosan Combustíveis Lubrificantes S.A.	348,103	344,829
Other	21,050	21,050
	<u>1,546,651</u>	<u>1,484,431</u>

#### Impairment test of cash-generating units containing goodwill

As described in Note 2.3.1, the Group tests of property, plant and equipment for impairment are held at least once a year.

In addition, the Group tests goodwill for impairment at least annually. Long-lived non-financial assets that are not subject to amortization are reviewed whenever there are indication that their carrying amount might be impaired.

In the case of RCSA, Management uses the value-in-use method to determine the recoverable amount, which is based on projected discounted cash flows expected from cash-generating units determined by Management based on the budgets that take into consideration the assumptions related to the cash-generating units, whose business management of RCSA takes into consideration an integrated distribution network, comprising one single cash-generating unit using available market information and past performance. Discounted cash flows have been prepared over a period of five years and taken to perpetuity without considering the actual growth rate. Cash flows arising from the continuing use of the underlying assets are adjusted by specific risks and use a pretax discount rate.

The rate corresponds to the pretax calculated on 8,5% per year.

The key assumptions used were: prices based on market expectation, estimated growth rates for the business line and extrapolations of growth rates based on the growth of the Gross Domestic Product. All future cash flow was discounted using a rate that reflects specific risks related to the material assets in each cash-generating unit.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

In the case of RESA, goodwill is allocated to cash-generating units, identified according to the operating region, as follows:

Operating – Regional	<u>2015</u>	<u>2014</u>
Piracicaba	129,742	138,744
Jaú	558	558
Araraquara	554,394	554,394
Araçatuba	303,400	303,400
Assis	109,840	109,840
Independent and others	<u>9,133</u>	<u>11,616</u>
Total of RESA's goodwill	<u>1,107,067</u>	<u>1,118,552</u>

Long-term non-financial assets which are not subject to amortization are revised whenever there are indications of impairment of the book value.

RESA determines recoverable value using the value in use method which is based on a projection of the expected discounted cash flows from the cash-generating units, as determined by Management on the basis of budgets, taking into account the assumptions for each cash-generating unit and using information available in the market and referring to past performance. The discounted cash flows were prepared for a period of 20 years, without taking into account a growth rate. The discount rates corresponds to mid-market rate of companies in the sector, estimated at 6,5% per year.

The main assumptions used by RESA, in the segment of sugar, ethanol and energy were as follows: Expectation of commodities sales price in the long term, productivity of the agricultural areas, performance of Total Recoverable Sugar, operating and administrative costs. All future cash flow was discounted per rates that show specific risks related to the relevant assets in each cash-generating unit.

On the basis of the annual tests, no impairment charge against assets or goodwill was recognized in the years ended March 31, 2015 or 2014. Determination of the recoverability of assets depends on certain key assumptions, as described above. These assumptions are influenced by market, technological and economic conditions that exist at the time of the test, and so it is not possible to ascertain whether impairment losses will occur in the future or, if they do, whether they will be material.

#### 15. Suppliers

	<u>2015</u>	<u>2014</u>
Materials and services suppliers (i)	541,266	715,692
Sugarcane suppliers (ii)	450,439	401,226
Oil suppliers (ii)	208,246	170,619
Ethanol suppliers (iii)	<u>129,640</u>	<u>126,550</u>
	<u>1,329,591</u>	<u>1,414,087</u>

- (i) The balance payable to suppliers of materials and services corresponds, substantially, to the acquisition of machinery and equipment to the plants industrial park of RESA, to be liquidated in the next year.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

- (ii) The balances payable to oil and ethanol suppliers refer to term purchases which are made by RCSA and will be liquidated in the next year.
- (iii) The sugarcane harvest period, which generally takes place between April and December of each year, has a direct impact on the balances with sugarcane suppliers and the corresponding cutting, loading and transport services carried out.

## 16. Loans and financing

Purpose	Final due date	Indexer	Effective annual average interest rate(1)	2015	2014
Classification of debts by currency:					
Denominated in Reais				5,868,340	4,542,423
Denominated in US Dollars and Euros				6,115,042	3,929,725
				<u>11,983,382</u>	<u>8,472,148</u>
Nature of debts (2):					
BNDES	October/25	URTJLP	8.1% (7.7% , 2014)	1,318,415	1,430,317
BNDES	July/24	Pre-fixed rate	4.1% (4.3% , 2014)	1,218,098	657,742
BNDES	April/24	UMBND	6.7% (6.7% , 2014)	81,657	44,477
Export prepayments	September/17	US Dollar + Libor	1.7% (2.0% , 2014)	863,123	1,076,882
Term loan agreement	March/19	US Dollar + Libor	1.6% (1.7% , 2014)	3,375,698	1,019,233
Debentures	October/18	CDI	13.7% (11.6% , 2014)	471,020	467,421
Debentures	October/20	IPCA	15.1% (17.1% , 2014)	350,187	324,243
Working capital	March/15	Pre-fixed rate	14% , 2014	-	5,383
Senior notes due 2017	February/17	US Dollar	7.0% (7.0% , 2014)	1,297,921	915,585
Senior notes due 2014	-	Reais (RS)	9.5% , 2014	-	801,456
Resolution 2471 (PESA)	April/23	IGP-M	10.7% (11.4% , 2014)	832,213	806,703
Resolution 2471 (PESA)	October/25	Pre-fixed rate	3.0% (3.0% , 2014)	84	91
Credit notes	October/20	CDI	13.0% (10.9% , 2014)	717,478	643,623
FINAME/leasing	January/24	Pre-fixed rate	4.9% (4.8% , 2014)	96,653	111,720
FINAME/leasing	October/15	URTJLP	11.2% (10.6% , 2014)	3	102
Agricultural credit	October/15	Pre-fixed rate	6.5% (5.5% in Mar, 2014)	67,176	50,246
Agribusiness Receivables Certificate ("CRA")	December/19	CDI	12.6%	605,109	-
Agribusiness Receivables Certificate ("CRA")	December/21	IPCA	14.3%	110,247	-
Schuldschein	October/21	Pre-fixed EUR	2.9%	230,413	-
Schuldschein	January/22	Euribor	2.1%	138,380	-
Other	Miscellaneous	US Dollar	Miscellaneous	209,507	116,924
				<u>11,983,382</u>	<u>8,472,148</u>
Expenses with security placement:					
BNDES				(4,379)	(3,135)
Senior notes due 2017				(6,443)	(7,143)
Senior notes due 2014				-	(1,152)
Prepayments export				(1,717)	(5,854)
Debentures				(4,532)	(5,185)
Term loan agreement				(28,233)	-
Credit notes				(310)	(952)
CRA				(11,619)	-
Rural credit				(68)	-
Schuldschein				(7,488)	-
				<u>(64,789)</u>	<u>(23,421)</u>
				<u>11,918,593</u>	<u>8,448,727</u>
Current				<u>(1,386,583)</u>	<u>(1,925,739)</u>
Non-Current				<u>10,532,010</u>	<u>6,522,988</u>

(1) The effective annual interest rate is the contract rate plus the expenses for placement of bonds.

(2) The loans and financing are, in general, secured by promissory notes of the Group. In some cases, there are also shareholders' securities, in addition to collateral such as: i) credit rights deriving from power trading agreements (BNDES), ii) CTN and land mortgage (PESA), iii) property, plant and equipment, and, iv) fiduciary assignment of the financed assets (FINAME).

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

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The installments payable in the long term, less amortization of expenses for security placement, show the following maturity schedule:

	<u>2015</u>	<u>2014</u>
13 to 24 months	2,197,542	1,738,581
25 to 36 months	1,741,733	1,579,000
37 to 48 months	2,186,839	595,727
49 to 60 months	1,397,507	1,110,137
61 to 72 months	2,170,455	698,520
73 to 84 months	593,969	574,679
85 to 96 months	134,536	100,042
From 97 months	109,429	126,302
	<u>10,532,010</u>	<u>6,522,988</u>

#### **PESA - Resolution 2471**

From 1998 to 2000, the RESA renegotiated its debts related to agricultural funding with several financial institutions, thereby reducing their financing costs to annual interest rates below 10.7% and guaranteeing the amortization of the debts with the assignment and transfer of Restricted Brazilian Treasury Bills ("CTNs") redeemable on the debt maturity dates, using the tax incentive introduced by Resolution No. 2471, issued by the Central Bank of Brazil on February 26, 1998. This debt is settled by redeeming the CTNs and ensuring compliance with with the contractual dispositions, as mentioned in Note 9.

#### **Senior Notes Due 2017**

On January 26, 2007, RESA, through its subsidiary Raízen Energy Finance Limited, issued US\$ 400,000 thousand of senior notes in the international capital markets according to "Regulations S and 144A" that bear interest at a rate of 7% p.a., payable semi-annually in February and August of each year.

#### **Senior Notes Due 2014**

On May 9, 2014, RCSA, through its subsidiary Raízen Fuel Finance Limited, settled senior notes with a principal amount of US\$ 350,000, plus US\$ 16,084 of interest, for a total amount of R\$ 819,514.

#### **BNDES**

This relates to resources funded by the Group, destined for financing the cogeneration and greenfield projects, the renewal and implementation of new sugarcane plantation fields (Prorenova), and the construction of the plant for the production of E2G.

On March 31, 2015, the Group had unused lines of credit available from BNDES in the amount R\$ 593,473 (R\$ 1,227,872 in 2014). Use of these lines of credit is conditional upon certain contractual conditions being met.

## **Raízen Group**

### **Management's Notes to the consolidated and combined financial information as of March 31, 2015** **(In thousands of Reais, except when indicated otherwise)**

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#### **Advances on foreign exchange contracts ("ACCs") and credit notes**

The ACCs and credit notes were entered into with various financial institutions which pay an average rate of interest of 0.9% p.a. and have final maturity in March 2015. During the year ended on March 31, 2015, the ACCs were full paid in the amount of R\$ 283,803.

The credit notes will be paid from exports made up to 2020. The average interest rate is 13% p.a., paid half-yearly and upon maturity.

#### **FINAME**

This refers to financing operations under machinery and equipment financing, made available through different financial institutions, to be used for investments in property, plant and equipment. These loans are subject to effective interest rates of 4.9% p.a., payable monthly, and are secured by the fiduciary transfer of the assets financed.

#### **Term loan agreement (syndicated loan)**

On December 5, 2012, Raízen Cayman Limited contracted a term loan from several financial institutions for US\$ 450 million. The loan is subject to the exchange variations of the US Dollar plus interest at the quarterly Libor rate rate with a margin of 1.5% p.a., giving an effective average rate of 1.8% p.a., payable quarterly, with the principal to be repaid on December 7, 2015. On March 31, 2015, the Raízen Cayman Limited paid the debt, in the total amount of R\$ 1,450,873.

On April 8, 2014, the Group obtained syndicated loans from various financial institutions amounting to US\$ 600 million. The loan is subject to the exchange variations of the US Dollar plus interest at the quarterly Libor rate fixed with a margin of 1.4% p.a., giving an effective average rate of 1.64% p.a. the principal is to be repaid in March 2018 and 2019.

On March 30, 2015, the indirect subsidiary Raízen Cayman Limited, signed a loan from a syndicate composed of several global commercial banks, in the amount of R\$ 1,443,600 (US\$ 450 million). The loan is subject to the exchange variations of the US dollar plus interest at the quarterly Libor and rate of 1.2% p.a., giving an effective average rate of 1.47% p.a. payable quarterly. The principal repaid on April 27, 2020. Through this syndicate, the Company also obtained a Revolving Credit Facility in the amount of \$ 285 million, maturing on April 27, 2020.

#### **Export prepayments**

Between the years 2009 and 2013, the Group entered into export pre-payment agreements with a number of institutions to finance future sugar exports. The contract is subject to the exchange variation of the US Dollar and bears Libor rate interest (quarterly and annually), resulting in an effective average interest rate of 1.7% p.a., with final maturity in September 2017.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015

(In thousands of Reais, except when indicated otherwise)

#### CRA

In October 2014, RESA and its subsidiaries issued CPR (Ballot Rural Producer) related to the Public Distribution of the first and second series of the tenth Receivables Certificates issued by Agro Gaia Agribusiness Securitizadora S.A., amounting to R\$ 675,000 and maturing in December 2021. The funds raised will be used exclusively in the ordinary course of Raízen's activities related to agribusiness, including the operations, investments and financing needs related to the production, marketing, processing or manufacturing of agricultural products, inputs, machinery and implements used in agricultural activities, under Article 23 of Law 11076.

Indexer	Annual interest rate	Effective annual average interest rate	Principal	Date of Receipt	Maturity
CDI	-	12.6%	573,013	10/21/2014	Dec/19
IPCA	5.69%	14.3%	101,987	10/21/2014	Dec/21

#### Debentures

On October 21, 2013, the CVM approved the registration by RESA of its first public issue of simple debentures, and 750,000 non-convertible unsecured debentures were issued, in three series, with a unit face value of R\$ 1,000, giving a total of R\$ 750,000.

The net proceeds of the issue, amounting to R\$ 747,710, were used in full as follows: (i) to reinforce the RESA cash in the case of the first and second series debentures, and, (ii) to fund part of the RESA investments in the 2013/2014 harvest, both in the agricultural and the industrial area, pursuant to Law 12431 in the case of the third series.

	Indexer	Annual interest rate	Effective annual average interest rate	Principal	Date of Receipt	Maturity
First series	CDI	-	13.6%	105,975	10/25/2013	Oct/18
Second series	CDI	-	13.7%	340,000	10/28/2013	Oct/18
Third series	IPCA	6.38%	15.1%	304,025	10/29/2013	Oct/20

#### Schuldschein

On October 2014, the RCSA through its subsidiary Raízen Fuels Finance Ltd., obtained a loan of 66 million Euros, with a fixed interest rate of 2.88% p.a. and maturing on October 15, 2021.

Additionally, in January 2015, the Company entered a new financing through its subsidiary Raízen Fuels Finance Limited in the amount of € 40 million, with a fixed interest rate of 2% per annum and quarterly Euribor interest, resulting in an average effective interest rate of 2.06% per annum, maturity on January 20, 2022.

#### Covenants

On March 31, 2015 and 2014, the Group had loans and financing agreement contracts with covenants relating to cash generation, debt ratios and other. These covenants are being observed by the Group and do not restrict its capacity in its ordinary course of business.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

#### Fair value

On March 31, 2015 and 2014, the consolidated book values and fair value of loans and financing were as follows:

	<u>Book value</u>		<u>Fair value</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Senior notes due 2017	1,291,478	908,442	1,385,577	1,003,938
Senior notes due 2014	-	800,304	-	824,324
Other loans and financing	<u>10,691,904</u>	<u>6,739,981</u>	<u>10,627,115</u>	<u>6,739,981</u>
	<u>11,983,382</u>	<u>8,448,727</u>	<u>12,012,692</u>	<u>8,568,243</u>

The fair value of the senior notes due in 2017 is based on prices quoted on the consolidated and combined financial information date.

The fair value of other loans and financing is very close to their book value, due to their exposure to variable interest rates (Note 26.j).

#### 17. Taxes payable

	<u>2015</u>	<u>2014</u>
Installment payments – Refis IV	173,382	702,794
ICMS	101,400	116,350
National Institute of Social Security (“INSS”)	24,709	25,836
Pis and Cofins	30,714	27,703
Others	<u>29,611</u>	<u>31,425</u>
	359,816	904,108
Current	<u>(184,719)</u>	<u>(231,872)</u>
Non-current	<u>175,097</u>	<u>672,236</u>

The amounts payable in the long term were scheduled to mature as follows:

	<u>2015</u>	<u>2014</u>
13 to 24 months	19,042	66,831
25 to 36 months	18,323	65,977
37 to 48 months	17,940	65,302
49 to 60 months	17,940	64,068
61 to 72 months	17,940	64,068
73 to 84 months	17,940	64,068
85 to 96 months	17,940	64,068
As from 97 months	<u>48,032</u>	<u>217,854</u>
	<u>175,097</u>	<u>672,236</u>

#### Payment in installments of tax debits - (“Refis IV”)

On May 27 and October 13, 2009, Law 11941 and MP 470 were approved by the Brazilian government, setting up a tax recovery program (Refis IV), allowing taxpayers to settle federal tax debts, previous tax recovery programs and other federal taxes being challenged in the courts, with discounts on the fines and interest previously applied.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015

(In thousands of Reais, except when indicated otherwise)

Laws No. 12865 of October 10, 2013, 12973 of May 14, 2014 and 12996 of June 18, 2014 reopened the deadline for inclusion of debt in the Tax Recovery Program - Refis IV. This benefit was availed in a timely fashion and the RESA is awaiting the release of the consolidation of the values included in the program.

With the publication of Law n° 13043 of November 14, 2014, conversion of MP 651, made possible the settlement of debts in installments SRF through the use of tax losses and the negative basis of social contribution, including subsidiaries and parent companies, direct or indirect, conditional on payment in kind of 30% of the balance in installments (as per Article 33 of the Law).

After evaluation of the financial benefits resulting from the application of this legal provision, the controller together Cosan opted to paying the debt in installments pursuant to Law 11941/2009, since they were under its responsibility by treating yourself to pre existent training requirement Raízen.

Changes in these installment balances after the application of this legal provision is as follows:

<u>Payment in installments of tax debits – Refis IV</u>	<u>Total</u>
On March 31, 2014	702,794
Recognition of interest and previous payments to the publication of Law 13043	(8,479)
Adhesion to the installment program	12,782
Use of tax losses and negative basis of social contribution (1)	(372,627)
Cash payment of 30%	(132,647)
Financial discount	(28,441)
On March 31, 2015	<u>173,382</u>

(1) Includes the consolidated balances of tax losses owned by Cosan amounting to R\$ 171,750, recorded as preferred shares to pay for RESA (Notes 10, 18 and 21.a). The remaining balance used to settle Refis IV is made up of: (a) credit assignment of Cosan and subsidiaries amounting to R\$ 142,761, (b) Raízen credits assigned to payment of R\$ 55,870, and, (c) Raízen credits for payment of Refis IV from Raízen Araraquara of R\$ 2,246.

According to the training according to Raízen Group signed by the shareholders, any payments related to installments of tax debits existing before June 1<sup>st</sup>, 2011 are to be made in full by the shareholders of Raízen Group. Thus, due to the settlement of the debts under Refis IV, under Law 13043, the balance receivable from Cosan was substantially. See Note 10.

#### Investment subsidy - ICMS

On September 11, 2008, the subsidiary Raízen Caarapó Ltda. signed the Agreement No. 331/2008 ("TC 331") with the state of Mato Grosso do Sul ("MS"), which is guaranteed, the tax benefit on the sugar manufacturing operations in this state, equivalent to 67% of the outstanding balance of ICMS, which the amount recognized in the income statement on March 31, 2015 totaled R\$ 9,340 (R \$ 6,830 in 2014).

The RESA, through its subsidiary Raízen Centroeste, benefits from a state incentive program with Goiás State, in the form of financing of part of the ICMS payments, called "Industrial Development Program of Goiás - Produzir", with the amount financed being repaid later. The Group's use of this investment subsidy is conditional on compliance with all the obligations determined by the program, the terms of which relate to factors under the Group's control.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

For the years ended March 31, 2015 and 2014, the incentive in the consolidated statement of income is R\$ 50,217 and R\$ 25,260, respectively, recorded under Other operating income, net (Note 24).

#### 18. Income tax and social contribution

##### a) Reconciliation of expense tax and social contribution:

	<u>2015</u>	<u>2014</u>
Income before income tax and social contribution	1,684,704	1,740,868
Income tax and social contribution at nominal rate (34%)	(572,799)	(591,895)
Adjustments made to determine the effective rate:		
Interest on capital	64,615	75,820
Equity accounting	(6,882)	(8,281)
Gifts, donations, class associations	(5,985)	(6,327)
Reintegra Credits (Note 6)	17,442	-
Investment subsidy – ICMS	20,249	10,911
Difference of rate of presumed profit and real profit (i)	57,179	-
Reversal of deferred tax liability in corporate restructuring (ii)	67,843	-
Gains on capital through dilution of shareholding (Note 11.c.iii)	10,313	-
Other	14,893	7,372
Expense from income and social contribution taxes	<u>(333,132)</u>	<u>(512,400)</u>
Effective rate	19.8%	29.4%

- i) Refers to the reversal of temporary differences in deferred tax liabilities that had been generated by changes in the useful lives and fair value step of property, plant and equipment after the transition to IFRS fixed assets. After the input power cogeneration assets (Note 30.v) into a separate entity of the relevant deferred tax liabilities while the inverted content, as the new subsidiary follows the deemed income under this tax regime depreciation or amortization is not deductible.
- ii) Relates to deferred tax liabilities on temporary differences amounting to R\$ 43,341, generated substantially through changes in the useful lives of fixed assets, which were reversed through the contribution of net assets of RESA related to energy cogeneration activity by UTEs, which occurred on June 3, 2014.

Additionally, deferred tax liabilities on the fair value of invested assets of RCSA contributed in Saturno, were partially reversed at the time of the contribution made by RCSA, totaling R\$ 24,502.

These reversals were given up because of UTEs and Saturno are taxed based on deemed profit.

##### a.1) Income tax and social contribution recovery

	<u>2015</u>	<u>2014</u>
Tax ("IRPJ")	416,260	276,481
Social contribution ("CSLL")	143,331	93,008
	559,591	369,489
Current assets	<u>(51,231)</u>	<u>(369,489)</u>
Non-current assets	<u>508,360</u>	<u>-</u>

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

From August 2013, the Group opted for the estimation calculation system of gross revenue from the income tax and social contribution, generating positive bias in the tax on income balances recoverable. In connection with this transaction, it is noted that the values related to the prepayment of income tax and social contribution are being offset with other federal taxes (PIS, COFINS and IOF).

On March 31, 2015, the Group has the following expected realization of tax on income and social contribution recoverable:

Years:	2015
13 to 24 months	93,279
25 to 36 months	218,163
37 to 48 months	196,918
Total	508,360

#### a.2) Income tax and social contribution payable

	2015	2014
IRPJ	11,366	2,297
CSLL	10,367	2,329
	21,733	4,626

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

Assets (liabilities)				2015	2014
	Base	IRPJ 25%	CSLL 9%	Total	Total
Tax losses:					
Tax losses	1,072,587	268,147	-	268,147	427,952
Negative base for social contribution	1,144,150	-	102,973	102,973	161,777
Temporary differences:					
Foreign exchange variance	1,645,488	411,372	148,094	559,466	246,125
Provisions for rights of exclusivity of supply	428,724	107,181	38,585	145,766	112,868
Tax goodwill from reverse takeover	402,349	100,587	36,211	136,798	180,830
Provisions for write-off against goodwill	288,549	72,137	25,969	98,106	98,106
Miscellaneous provisions and other temporary differences	1,148,352	287,087	104,458	391,545	283,043
Total deferred tax assets		1,246,511	456,290	1,702,801	1,510,701
Tax goodwill amortized	(1,651,919)	(412,979)	(148,671)	(561,650)	(491,856)
Revision of property, plant and equipment useful life	(943,854)	(235,964)	(84,947)	(320,911)	(270,649)
Derivatives	(933,036)	(233,259)	(83,972)	(317,231)	-
Fair value of property, plant and equipment	(756,212)	(189,053)	(68,059)	(257,112)	(302,147)
Fair value of intangible assets	(308,574)	(77,144)	(27,771)	(104,915)	(95,458)
Cost of capitalized loans	(223,508)	(55,877)	(20,116)	(75,993)	(75,134)
Biological assets	(41,795)	(10,449)	(3,762)	(14,211)	(23,168)
Total deferred tax liabilities		(1,214,725)	(437,298)	(1,652,023)	(1,258,412)
Total deferred taxes		31,786	18,992	50,778	252,289
Deferred taxes – Assets, net				326,178	290,695
Deferred taxes – Liabilities, net				(275,400)	(38,406)
Total deferred taxes				50,778	252,289

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

The reduction of the balance of tax losses and negative base for social contribution is directly associated with the use of these balances for the debts settlement in SRF (Notes 10.a and 17).

#### c) **Net activity of deferred taxes:**

	<u>2015</u>	<u>2014</u>
Initial balance	252,289	316,617
Income revenue	51,292	(107,503)
Deferred taxes on comprehensive income	(12,962)	60,993
Deferred taxes on business combinations (Notes 30.i and ii) (2)	(23,456)	(16,245)
Reversal of deferred taxes (1)	1,300	-
Deferred taxes on tax goodwill	4,486	-
Tax losses and negative basis of social contribution used to settle the Refis	(222,492)	-
Other	321	(1,573)
Final balance	<u>50,778</u>	<u>252,289</u>

(1) Reversal of contributed amounts of the business combination (CCL).

(2) On March 31, 2014, refers to deferred taxes on the purchase price allocation of Costa Rica Canavieira Ltda., realized on June 28, 2012, completed by management in that year.

#### d) **Realization of deferred income tax and social contribution:**

In assessing the deferred tax recovery capacity, Management takes into consideration future taxable income projections and changes in temporary differences. When it is more likely that part or all taxes will not be used or realized, a provision is recognized. There is no validity period for NOL, however, the use of prior-year accumulated losses is limited to 30% of annual taxable income.

On March 31, 2015 and 2014, the Group had the following expected realization of deferred tax assets:

<u>Years:</u>	<u>2015</u>	<u>2014</u>
2015	-	372,788
2016	572,832	383,880
2017	544,295	117,973
2018	113,027	67,153
2019	49,699	33,226
After 2020	<u>422,948</u>	<u>535,681</u>
<b>Total</b>	<u>1,702,801</u>	<u>1,510,701</u>

On March 31, 2015, the Group companies Agrícola Ponte Alta Ltda., Raízen Biotecnologia S.A. and Blueway Trading Importação e Exportação Ltda. recognized tax losses carried forward, NOL balances and a negative basis of social contribution amounting to R\$ 17,049 (R\$ 33,076 in 2014), for which no deferred tax assets were recognized, because it was considered improbable that the amount would be recovered.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

#### 19. Provision for judicial claims

In the process of formation of Raízen Group, it was agreed that Cosan and Shell should reimburse the Group for the amounts of lawsuits in progress before its organization, when these lawsuits are effectively settled by the courts. As at March 31, 2015 and 2014, the balances of such contingencies to be reimbursed and non-reimbursable demands were as follow:

			<b>2015</b>	<b>2014</b>
	<b>Non-reimbursable judicial claims</b>	<b>Reimbursable judicial claims</b>	<b>Total</b>	<b>Total</b>
Tax	17,950	274,741	292,691	370,160
Civil	5,856	212,726	218,582	172,998
Labor	64,878	144,347	209,225	199,103
Environmental	3,127	51,406	54,533	58,168
	<u>91,811</u>	<u>683,220</u>	<u>775,031</u>	<u>800,429</u>

Also during the organization process of Raízen, it was agreed that RESA and RCSA should refund to the shareholders Cosan and Shell the amounts of judicial deposits made before the formation of Raízen when these deposits are redeemed. As at March 31, 2015 and 2014, the balances of reimbursable and non-reimbursable deposits were as follow:

			<b>2015</b>	<b>2014</b>
	<b>Judicial deposits of the group</b>	<b>Reimbursable judicial deposits</b>	<b>Total</b>	<b>Total</b>
Taxes (1 e 2)	34,741	170,974	205,715	294,920
Civil	6,752	19,826	26,578	26,133
Labor	10,568	33,934	44,502	44,754
	<u>52,061</u>	<u>224,734</u>	<u>276,795</u>	<u>365,807</u>

(1) As at March 31, 2015 and 2014, this included R\$ 112,153 (R\$ 86,169 in 2014) in refundable judicial deposits, which are being constituted under Law 11.941 (Note 17).

(2) On March 31, 2015, this was offset against the balance of lawsuits in the amount of R\$ 132,543 and R \$ 30,745 of its own and refundable escrow deposits, respectively.

#### i) Non-reimbursable judicial claims

	<b>Tax</b>	<b>Civil</b>	<b>Labor</b>	<b>Environmental</b>	<b>Total</b>
As at March 31, 2014	94,214	6,422	52,459	3,298	156,393
Provisions (write-offs/ reversals), net (i and ii)	(96,605)	(615)	6,829	360	(90,031)
Business combinations (Note 30.i)	10,649	-	-	-	10,649
Payments	(2,765)	(38)	(867)	(354)	(4,024)
Monetary adjustments (iii)	12,457	87	6,457	(177)	18,824
As at March 31, 2015	<u>17,950</u>	<u>5,856</u>	<u>64,878</u>	<u>3,127</u>	<u>91,811</u>

i) Recorded in the income for the fiscal year in Other operating revenue, net, except for: (a) for the provision of INSS on the income of RESA, in the amount of R\$ 31,546, which was reclassified in "taxes payable" in current liabilities, and, (b) the provisions of RCSA, in the amount of R\$ 2,636, recorded in earnings as sales deductions and general and administrative expenses.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

ii) Includes compensation for judicial deposits related to INSS on revenue amounting to R\$ 132,543.

iii) Recorded in the financial income.

#### ii) Reimbursable judicial claims (1)

	<u>Tax</u>	<u>Civil</u>	<u>Labor</u>	<u>Environmental</u>	<u>Total</u>
As at March 31, 2014	275,946	166,576	146,644	54,870	644,036
Provisions (write-offs/reversals), net (i)	50,910	36,572	(9,851)	1,267	78,898
Payments	(75,550)	(17,476)	(3,086)	(8,916)	(105,028)
Monetary adjustments	23,435	27,054	10,640	4,185	65,314
As at December 31, 2015	<u>274,741</u>	<u>212,726</u>	<u>144,347</u>	<u>51,406</u>	<u>683,220</u>

(1) The whole movement has no effect on the income statement.

i) Includes compensation for judicial deposits related to INSS on revenue amounting to R\$ 30,745.

#### iii) Total of judicial claims

	<u>Tax</u>	<u>Civil</u>	<u>Labor</u>	<u>Environmental</u>	<u>Total</u>
On March 31, 2014	370,160	172,998	199,103	58,168	800,429
Provisions (write-offs/reversals), net (i)	(45,695)	35,957	(3,022)	1,627	(11,133)
Business combinations (Note 30.i)	10,649	-	-	-	10,649
Payments	(78,315)	(17,514)	(3,953)	(9,270)	(109,052)
Monetary adjustments	35,892	27,141	17,097	4,008	84,138
On March 31, 2015	<u>292,691</u>	<u>218,582</u>	<u>209,225</u>	<u>54,533</u>	<u>775,031</u>

i) Includes compensation for judicial deposits related to INSS on revenue amounting to R\$ 163,288.

#### Breakdown of judicial claims assessed as probable losses

##### a) Taxes

The main tax claims as at March 31, 2015 and 2014, were as follow:

			<u>2015</u>	<u>2014</u>
	<u>Non-reimbursable judicial claims</u>	<u>Reimbursable judicial claims</u>	<u>Total</u>	<u>Total</u>
INSS (i)	1,000	1,166	2,166	123,096
ICMS (ii)	11,227	54,412	65,639	176,091
IPI (iii)	1,358	81,812	83,170	3,222
PIS and COFINS (iv)	-	34,286	34,286	3,553
Attorney's fees (v)	4,365	35,437	39,802	54,633
IRPJ and CSLL (vi)	-	63,075	63,075	329
Other (vii)	-	4,553	4,553	9,236
	<u>17,950</u>	<u>274,741</u>	<u>292,691</u>	<u>370,160</u>

## **Raízen Group**

### **Management's Notes to the consolidated and combined financial information as of March 31, 2015**

**(In thousands of Reais, except when indicated otherwise)**

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#### **(i) INSS**

The accrued INSS amount corresponds to the amounts of social security contribution on revenue, in conformity with Article 22-A of Law 8212/91, whose constitutionality is being challenged through lawsuits. The RESA held a judicial deposit for the said lawsuit amounting to R\$ 163,228. Therefore, both balances are presented on a net basis in this financial statements.

#### **(ii) ICMS**

The amount accrued for ICMS credits comprises: (a) tax assessment notices received for which, despite their being challenged at administrative or legal levels, the Group's legal counsel believe the probability of loss to be probable, and (b) use of credits and financial charges in circumstances where the opinion of the Group's management and legal counsel differs from that of the tax authorities.

#### **(iii) IPI**

The amount accrued in respect of IPI credits comprises: (a) tax assessments received related to the imported goods, and (b) offsetting arising from inputs used for exempt outputs.

#### **(iv) PIS and COFINS**

The amount accrued as PIS and COFINS credits comprises: (a) the contributions for the years 1997 to 1999 related to the company's incorporation, and (b) compensation related to IPI tax credits used to offset PIS and COFINS arising from inputs used for exempt outputs

#### **(v) Attorney's fees**

The Group engages law firms to fight its civil, labor and tax lawsuits, Attorney's fees payable under some agreements are based on a percentage of the amount of any favorable lawsuit. The Group accrues the amounts payable to law firms for lawsuits whose probability of loss is assessed as possible or remote. The amount currently accrued refers mainly to lawsuits for which financial responsibility is incumbent upon Shell because they originated in a period prior to the Group's organization and are thus reimbursable.

#### **(vi) Income tax and social contribution**

These are assessment notices relating to compensation (Per/dcomp), of which several are related to IPI tax credits used to offset income tax and social contribution. This offsetting is no longer approved according to the tax assessments issued, which failed to recognize the credits on the grounds that, from January 2008 to September 2010: (i) RCSA would have ceased to detach and collect the IPI, due to the 8% rate on certain transactions classified in the tax Incidence Table on Industrialized products ("TIPI"), and (ii) RCSA failed to reverse IPI claims on inputs used in the manufacturing of certain products classified under TIPI, considering that the output operations of such products are not taxable. The controversy stems firstly from disagreement as to the classification of products such as oil products, and ly from the failure of the authorities to recognize the right to maintenance of IPI credits in operations related to exempt or non-taxable outputs.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015

(In thousands of Reais, except when indicated otherwise)

#### (vii) Contribution for Intervention in the Economic Domain - CIDE

The RCSA accrued CIDE on services provided in relation to oil and natural gas exploration and production activities conducted before the Company's formation, whose balance at March 31, 2015 totals R\$ 171,129. The amounts due were deposited with the courts. The RCSA will be fully reimbursed by Shell if it is required to pay the CIDE to the tax authorities. Thus, both balances are presented on a net basis in this financial information.

#### b) Civil and labor

The Group and its subsidiaries are parties to several civil actions related to: (i) indemnity for property damages and damages for pain and suffering, (ii) contractual disputes, (iii) public civil suits to prevent the burning of sugarcane chaff, (iv) environmental plays, (v) the repair of environmental damage caused by fuel leakage, and (vi) contractual breaches and disputes over the ownership of the Company's real estate and the recovery of unpaid amounts from customers.

The Group and its subsidiaries are also party to various labor claims filed by former employees and service providers' employees regarding the payment of overtime, night shift premiums and hazardous duty premiums, job readmittance, return of deductions from payroll such as union confederative dues, union dues, etc.

#### c) Environmental

The main environmental claims are related to environmental recovery activities to be performed at fuel stations, distribution points, airports and customer distribution centers, including the removal of contaminated material, the treatment of certain areas, laboratory analyses and post-recovery monitoring.

#### Judicial claims deemed as possible losses

#### a) Taxes

The main judicial claims for which the probability of an unfavorable outcome is rated as possible and, as a consequence, for which no provision for judicial claims was recorded in the financial statements, were as follow:

			<u>2015</u>	<u>2014</u>
	<u>Non-reimbursable judicial claims</u>	<u>Reimbursable judicial claims</u>	<u>Total</u>	<u>Total</u>
ICMS (i)	228,923	2,630,723	2,859,646	2,656,094
INSS (ii)	43,506	352,740	396,246	353,723
IPI (iii)	3,171	435,430	438,601	499,745
IRPJ and CSSL (iv)	22,473	699,338	721,811	610,769
PIS and COFINS (v)	36	1,548,126	1,548,162	1,379,396
Offsets against IPI credits – IN 67/98 (vi)	-	119,891	119,891	115,921
Other	19,000	240,690	259,690	232,815
	<u>317,109</u>	<u>6,026,938</u>	<u>6,344,047</u>	<u>5,848,463</u>

## **Raízen Group**

### **Management's Notes to the consolidated and combined financial information as of March 31, 2015**

**(In thousands of Reais, except when indicated otherwise)**

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If a reimbursable provision for these claims should be recognized in the future due to a change in the probability of success, or for any other reason, the Group will immediately record an amount receivable from shareholders at the same amount and, therefore, there will be no impact on the Group's income. If the provision is not reimbursable, the Group will record it as a balancing item against income.

The main loss as possible in the Raízen Group are summarized below:

#### **(i) ICMS - tax on circulation of goods**

Refers mainly to: (i) a penalty imposed for alleged failure to pay ICMS and to comply with ancillary obligations, in the operation of an agricultural partnership and manufacturing to order, between May 2005 and March 2006, and between May 2006 and March 2007, (ii) ICMS on shipments of crystal sugar for export, which the inspector considers to be a semi-finished product and therefore taxable under ICMS regulations, (iii) ICMS on alleged differences in sugar and ethanol stocks observed by cross-checking magnetic files and inventory registers, (iv) assessment of differences in ICMS rates for sales of ethanol to companies located in other Brazilian states which subsequently had their state registration cancelled, (v) requirements for ICMS payments on disallowed credits for diesel oil used in the agro-industrial production process, (vi) failure to reverse ICMS credits, (vii) failure to reverse ICMS-ST credits in full, (viii) requirements to pay ICMS-ST on interstate sales to industrial customers, and (ix) failure to fulfill ancillary obligations.

#### **(ii) INSS**

(i) Discussing the validity and constitutionality of MPS/SRP Regulatory Instruction 03/2005, which restricted the constitutional exemption of social security contributions to revenue deriving from exports made exclusively through direct sales, it being understood that exports made through export or trading companies should be taxed, (ii) payment of the SENAR contributions on direct and indirect export transactions, where the Federal Revenue Service ("SRF") understands that there is no right to constitutional exemption, and, (iii) payment of social security contributions on the resale of products in the domestic market and to third parties, which are not included in the social security tax basis and which are taxed only on the gross revenue derived from the effective production of the establishment rather than on products purchased.

#### **(iii) IPI – Excise tax on manufactured products**

In Normative Instruction No. 67/98 the SRF validated a procedure whereby manufacturing plants accounted for sales without assessing and paying IPI related to several types of sugarcane, including demerara, higher refined, special refined, special extra refined and granulated refined sugars, from July 6, 1995 through November 16, 1997, as well as amorphous refined sugar sales from January 14, 1992 through November 16, 1997. This rule was taken into effect in the Group's related proceedings against the Federal Revenue, for which the probability of loss is classified as possible, according to the Group's legal advisers. The increase in the amount of this contingency in the fiscal year ended March 31, 2015, is principally due to a change in the expectation of a loss on a 2009 tax execution, related to IPI IN 67/98, from remote to possible. This change in probability was the result of a proof that has still to be produced, in line with the other outstanding cases relating to the issue.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

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#### (iv) IRPJ and CSLL

Refers mainly to tax assessments issued by the SRF, whereby IRPJ and CSLL for prior years were charged, relating to: (i) the deductibility of amortization expenses relating to specific goodwill, (ii) the offsetting of NOL, and (iii) the tax on differences in revaluations of property, plant and equipment items, the Group is challenging these collections before the competent authorities.

#### (v) PIS and COFINS

Refers mainly to disallowed PIS and COFINS credits under the non-cumulative system, set forth in Laws 10637/2002 and 10833/2003, respectively. Such disallowances derive, in summary, from the SRF's restrictive interpretation of the concept of "inputs", as well as differences in relation to the interpretation of the relevant laws. These challenges are currently at the administrative level.

#### (vi) Offsets against IPI credits – IN 67/98

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

Upon being notified to pay the tax debts resulting from the offsetting transactions in light of certain changes introduced by IN SRF No, 210/02, RESA filed a writ of *mandamus* and applied for a preliminary injunction seeking to stay the 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 the relevant court, the probability of loss being considered by the Company as possible.

#### b) Civil and labor

As at March 31, 2015, the main labor and civil judicial claims in which the probability of unfavorable outcome was rated as possible, and, as a consequence, for which no provision for judicial claims was recorded in the financial statements, were as follow:

			2015	2014
	Non-reimbursable judicial claims	Reimbursable judicial claims	Total	Total
Civil	186,288	1,009,011	1,195,299	920,813
Labor	156,973	364,778	521,751	553,153
	<u>343,261</u>	<u>1,373,789</u>	<u>1,717,050</u>	<u>1,473,966</u>

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

#### 20. Commitments

##### Sales

The Group, through RESA, controls entities that operate in the sugarcane, ethanol, and power cogeneration business. The sales agreements are managed in a consolidated way, associated to the business and not linked to a specific entity. This way, the Group together with its entities, are liable for all sales commitments.

The sales in the commodity market are mainly made at the price on the date of the sale. However, the Group has several agreements in the market of sugar and ethanol committing itself to selling certain volumes of such products in future crops.

Commitments with sales of sugar, in tons, on March 31, 2015 and 2014, were as follows:

<u>Years</u>	<u>2015</u>	<u>2014</u>
2015	-	2,242,000
2016	3,564,000	514,000
2017	514,000	514,000
2018	514,000	-
2019	514,000	-
Total	<u>5,106,000</u>	<u>3,270,000</u>

As at March 31, 2015 and 2014, ethanol sales commitments, in cubic meters, were as follows:

<u>Years</u>	<u>2015</u>	<u>2014</u>
2015	-	1,375,479
2016	1,630,429	175,000
2017	146,016	-
Total	<u>1,776,445</u>	<u>1,550,479</u>

As at March 31, 2015 and 2014, power and steam sales commitments in MWh and tons, respectively, were as follows:

<u>Years</u>	<u>Electric power</u>		<u>Steam</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
2015	-	1,894,665	-	-
2016	1,876,707	1,824,147	140,000	-
2017	1,825,395	1,825,395	-	-
2018	1,824,147	1,824,147	-	-
2019	1,958,175	1,958,175	-	-
As of 2020	13,683,222	13,817,250	-	-
Total	<u>21,167,646</u>	<u>23,143,779</u>	<u>140,000</u>	<u>-</u>

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

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#### Purchases

RESA has entered several sugarcane purchase agreements with third parties for the purpose of securing a portion of its production in subsequent crops/harvest seasons. The quantity of sugar cane to be purchased was calculated based on the estimate of quantity to be crushed per area. The amount to be paid by the Group is determined at the end of each harvest, according to the price published by CONSECANA.

Crop purchase commitments expressed in tons as at March 31, 2015 and 2014, were as follows:

<b>Years</b>	<b>2015</b>	<b>2014</b>
2015	-	28,070,662
2016	28,252,062	25,002,452
2017	25,173,669	21,732,360
2018	21,214,536	18,049,020
2019	17,194,669	14,433,131
As of 2020	83,895,574	80,792,716
Total	175,730,510	188,080,341

RESA has entered into several agreements for the purchase of plant equipment intended for plant maintenance and expansion, as well as to support electric power cogeneration projects, in the total amount of R\$ 129,787 (R\$ 262,995 in 2014).

RCSA is a party to fuel purchase agreements entered into with third parties to secure a portion of its future sales. The purchase commitments in terms of ethanol, diesel, gasoline, jet fuel and biodiesel, in cubic meters as at March 31, 2015 were as follows:

<b>Years</b>	<b>2015</b>	<b>2016</b>
2015	-	9,803,881
2016	9,983,568	813,520
2017	911,623	-
Total	10,895,191	10,617,401

RCSA is also a party to railway, highway and tug boat transportation service agreements entered into to transport fuel between supply centers and resellers. The amount to be paid by the Group is set based on the price set forth in an agreement. Crop purchase commitments, expressed in cubic meters transported, as at March 31, 2015 and 2014, were as follows:

<b>Year</b>	<b>2015</b>	<b>2014</b>
2015	-	1,749,565
2016	470,191	42,800
Total	470,191	1,792,365

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

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#### **Storage services**

The RCSA is a party to fuel storage service agreements entered into with third parties, based on logistics and fuel storage goals in certain regions.

Crop purchase commitments, expressed in cubic meters, as at March 31, 2015 and 2014, were as follows:

<b>Years</b>	<b>2015</b>	<b>2014</b>
2015	-	1,133,640
2016	1,396,928	596,430
2017	957,650	412,800
2018	284,526	62,800
2019	248,400	-
As of 2020	366,300	-
<b>Total</b>	<b>3,253,804</b>	<b>2,205,670</b>

#### **Agricultural partnership and land leasing agreements**

RESA and its subsidiaries have entered agricultural partnership and land lease agreements to secure crop land for sugarcane. These agreements will expire in up to 20 years.

The payments related to such obligations are calculated, basically, through ATR disclosed by CONSECANA and the volume of sugarcane per hectare, set forth in the agreement.

The payments expected as regards the mentioned agreements are not subject to cancellation, and are as follows:

<b>Years</b>	<b>2015</b>	<b>2014</b>
Within one year	506,971	544,665
Between one and five years	1,463,769	1,719,548
More than five years	889,938	1,141,130
<b>Total</b>	<b>2,860,678</b>	<b>3,405,343</b>

Non-financial information not part of the scope of an audit of financial statements. Accordingly, they were not examined by our independent auditors.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

#### 21. Shareholders' equity

##### a) Capital stock and capital reserve

##### a.1) Changes which occurred in RESA

At the Extraordinary General Meeting held on February 7, 2014, the RESA's shareholders discussed and approved the capital increase by the amount of R\$ 8,427, through the issuance of 7,818,300 new Class B preferred shares, whose increase was fully subscribed by Cosan, to be paid on May 2, 2014 (Note 10).

On June 23, 2014, the shareholder Cosan transferred to Cosan Investimentos e Participações S.A. ("CIP") all 2,951,297,817 ordinary shares held, with usufruct reserve, to Cosan until October 1<sup>st</sup>, 2021, together with all political rights, right to receive interest on own capital and the right to receive dividends linked to such shares, decided by the Company until April 30, 2014, based on profits until March 31, 2014.

At the Extraordinary General Meeting held on January 21, 2015, the RESA's shareholders discussed and approved the conversion of 100,000 Class C preferred shares in the same numbers of Class D preferred shares, all held by the shareholder SBHBV.

On March 31, 2015 and 2014, the capital stock of RESA was R\$ 5,016,354. From this amount was deducted the balance of redeemable preferred shares in the amount of R\$ 93,300 (R\$ 264,276 in 2014) leaving a total of R\$ 4,923,054 (R\$ 4,752,078 in 2014).

As at March 31, 2015, the fully subscribed and paid-up capital stock was as follows:

	Shareholders (shares in units)			
	Shell	CIP	Cosan	Total
Common shares	2,951,297,817	2,951,297,817	-	5,902,595,634
Preferred shares Class A	-	-	1	1
Preferred shares Class B	-	-	133,242,457	133,242,457
Preferred shares Class C	663,476	-	-	663,476
Preferred shares Class D	100,000	-	-	100,000
As at March 31, 2015 and 2014	<u>2,952,061,293</u>	<u>2,951,297,817</u>	<u>133,242,458</u>	<u>6,036,601,568</u>

##### Redeemable preference shares of RESA (Due to Cosan and Shell)

As mentioned in Note 10, the tax benefits from the use of tax carried forward and goodwill tax amortization, recognized before the of Group's organization, will be reimbursed to Cosan to the extent that the RESA uses them to reduce taxes payable. Such reimbursements will be made by means of the payment of exclusive dividends to Cosan, the holder of the Class B preferred shares.

Due to the incorporation of IPL into REPSA and, subsequently, into RESA, Class C preference shares were issued to guarantee exclusive dividends to Shell in the amount of R\$ 3,538, through the use by RESA of tax credits and the funds in the current account related to the merged net assets (Note 10). Until March 31, 2015, no payments of dividends for the use of the taxes credits was made.

On March 31, 2015 the balance of preferred shares (Class B and C) is R\$ 93,300 (R\$ 264,276 in 2014).

## **Raízen Group**

### **Management's Notes to the consolidated and combined financial information as of March 31, 2015**

(In thousands of Reais, except when indicated otherwise)

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The counterparts of the shareholders' equity is registered in the Related Parties line item (Note 10), R\$ 89,762 (R\$ 260,738 in 2014) belonging to Cosan's shareholders, classified in non-current liabilities, and R\$ 932 and R\$ 2,606 belonging to Shell's shareholders, classified as current and non-current liabilities, respectively.

#### **Transactions occurred in the fiscal year ended March 31, 2015**

At the Annual General Meeting held on July 28, 2014, RESA's shareholders discussed and approved the payment of R\$ 42,381, less than that declared on March 31, 2014, in the amount R\$ 1,255, related to the preferred shares, which were settled on July 29, 2014.

During the year ended March 31, 2015, RESA made joining the program for the settlement of debt installments in the SRF through the use of NOL, resulting in a reducing of Class B preferred shares, in the amount of R\$ 157,010.

Additionally, at the end of the year ended March 31, 2015, the RESA proposed the allocation of dividends to holders of Class B preferred shares in the amount of R\$ 15,221, corresponding to partial use of the tax benefit balance for the year then ended.

#### **Transactions occurred in the fiscal year ended March 31, 2014**

At the Annual General Meeting held on July 19, 2013, RESA's shareholders discussed and approved the additional payment to those declared on March 31, 2013, in the amount of R\$ 6,916, related to preferred shares, totaling R\$ 64,920, paid on July 29, 2013.

During the year ended March 31, 2014, RESA made the review of the balances of the preferred shares and determined the reduction of R\$ 11,812 in obligation by the Cosan, due to certain tax benefits that are not used by RESA.

#### **a.2) Changes occurred in RCSA**

On December 26, 2013, the shareholder Cosan transferred to CIP all 1.651.584.242 ordinary shares that held, with usufruct reserve to Cosan until April 1, 2021, on all political rights, right to receive interest on own capital and the right to receive dividends linked to such shares, decided by the Company until April 30, 2014, based on profits until March 31, 2014.

At the Extraordinary General Meeting held on January 21, 2015, RESA's shareholders discussed and approved the conversion of 100.000 Class C preferred shares, in the same number of Class D preferred shares, all held by the shareholder SBHBV.

On March 31, 2015 and 2014, the capital stock of RCSA was R\$ 3,343,720. That caption is deducted from the balance of redeemable preference shares in amount of R\$ 148,802 (R\$ 274,392 in 2014), totaling R\$ 3,194,918 (R\$ 3,069,328 in 2014).

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### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

As at March 31, 2015 and 2014, the fully subscribed and paid-up capital stock was as follows:

	Shareholders (shares in units)			
	Shell	CIP	Cosan	Total
Common shares	1,651,584,242	1,651,584,242	-	3,303,168,484
Preferred shares Class A	1	-	-	1
Preferred shares Class B	-	-	93,648,276	93,648,276
Preferred shares Class C	262,784,501	-	-	262,784,501
Preferred shares Class D (1)	100,000	-	-	100,000
As at March 31, 2015 and 2014	1,914,468,744	1,651,584,242	93,648,276	3,659,701,262

#### Redeemable preference shares of RCSA (Due to Shell and Cosan)

This refers to the tax benefits arising from the use of NOL generated by Shell before RCSA's organization, as well as the tax benefits arising from the tax amortization of goodwill arising from Cosan's contribution and the tax benefits from the use of PIS and COFINS credits arising from the Fix Investimentos Ltda. (shareholder of Raízen Mime Combustíveis S.A.), should be reimbursed to the relevant shareholders to the extent that RCSA uses them to reduce the balance of taxes payable.

In order to carry out these reimbursements, Class A preferred shares were issued exclusively to Fix, Class B to Cosan and Class C exclusively to Shell in order to compensate them through the payment of dividends at the amount of the tax benefit used by RCSA in the fiscal year from January to December of each year.

On March 31, 2015, the remaining balance of preferred shares payable to Shell and Cosan in the total amount of R\$ 148,802 and zero (R\$ 244,139 and R\$ 30,253 in 2014), respectively (Note 10.a).

#### Transactions occurred in the fiscal year ended March 31, 2015

At the Extraordinary General Meeting held on July 28, 2014, RCSA's shareholders discussed and approved the payment in the amount of R\$ 240,409, higher than that declared on March 31, 2014, in the amount of R\$ 52,548, related to the preferred shares, which were settled on July 29, 2014. These dividends were paid to shareholders Shell and Cosan in the amount of R\$ 164,779 and R\$ 75,630, respectively. Additionally

Additionally, in the end of the year ended March 31, 2015, RCSA proposed the allocation of dividends to the holders of preferred shares Class B and C of R\$ 15,127 and R\$ 58,495, Cosan and Shell, respectively, corresponding to the partial use of the balance tax benefit for the year ended, totaling R\$ 73,622.

#### Transactions occurred in the fiscal year March 31, 2014

On March 31, 2015, RCSA proposed the allocation of dividends to the holders of preferred shares Class B and C of R\$ 60,503 and R\$ 127,358, Cosan and Shell, respectively, corresponding to the partial use of the balance tax benefit for the year ended, totaling R\$ 187,861.

## **Raízen Group**

### **Management's Notes to the consolidated and combined financial information as of March 31, 2015** (In thousands of Reais, except when indicated otherwise)

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#### **Capital reserve**

This corresponds to the goodwill reserve arising from the difference between the subscription price paid for the shares and the par value. This reserve can only be used for capital increase, loss absorption, redemption, refund or purchase of shares or payment of cumulative dividends to preferred shares.

Goodwill paid by RESA on the acquisition of an additional interest in the subsidiary TEAS, amounting to R\$ 5,973, is recorded in this reserve.

As mentioned in Notes 10.a, 17 and 18.c, Cosan settled the debts under the SRF through the use of NOL. Thus, the capital reserve was reduced by R\$ 164,377, comprised of the following: (i) R\$ 157,010 arising from Cosan property NOL, with obligation of preferred shares payable (Note 10.a), and, (ii) R\$ 7,367 corresponding to the NOL of the subsidiary Benálcool Açúcar e Alcool Ltda., whose tax credits were not included in the balance of class B shares involved in the formation of Raízen Group.

#### **Special goodwill reserve**

##### **i) Merger of IPL**

Due to the merger of IPL into REPSA, whose primary assets correspond to the investment held by it in REPSA's capital and the goodwill determined based on the tax records and recorded upon RESA's formation, the aforementioned goodwill became deductible for the purposes of income tax and social contribution on net income. Accordingly, in conformity with the provisions introduced by IAS 28 (IASB BV – 2012) Investments in Associates and Joint Ventures, a special goodwill reserve was recognized in the equity of Raízen Energia as a balancing item against deferred tax assets, amounting to R\$ 241,107, equivalent to the tax benefit of 34% of the amortization of such goodwill.

##### **ii) Merger of Curupay**

Due to the reverse merger of Curupay by TEAS, whose main assets are the investment held in the capital of Curupay and goodwill determined based on the tax books, this goodwill will be deductible for the purposes of income tax and social contribution on net income. Thus, RESA recorded a special goodwill reserve in shareholders' equity, reflecting the effect of the reverse incorporation of Curupay by its subsidiary TEAS in return for their investment (Note 11.b.vi), amounting to R\$ 2,004.

#### **b) Dividends and interest on capital**

The Group's dividends are not distributed based on combined calculations, but individually by RESA and RCSA. The individual calculations are as follows:

##### **b.1) RESA's dividends**

###### **i) Dividends**

Pursuant to RESA's by-laws, the shareholders are entitled to a minimum statutory dividend of 1% on the net income reported at year-end, as adjusted pursuant to Article 202 of the Brazilian Corporate Law. The amounts of the legal reserve and of the dividends for the year ended on March 31, 2015 and 2014 were determined as follows:

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

	<u>2015</u>	<u>2014</u>
Net income for the fiscal year	110,999	140,883
(-) Statutory reserve established at 5%	(5,550)	(7,044)
(-) Reflexed effect of tax incentives of subsidiary	-	(30,256)
Calculation basis for dividend distribution	<u>105,449</u>	<u>103,583</u>
Mandatory minimum dividends	1,054	1,036
Dividends to holders of class B preferred shares	<u>16,012</u>	<u>43,636</u>
Remaining dividends payable	<u>17,066</u>	<u>44,672</u>
Interest on capital	-	34,000
Accrued dividends	<u>17,066</u>	<u>78,672</u>

In the year ended March 31, 2015, the dividends accrued in the 2014 financial statements were fully paid, except of distribution of interest on own capital.

#### **ii) Interest on capital ("JCP")**

On December 31, 2013, at the Extraordinary General Meeting, the shareholders of RESA discussed and approved the distribution of interest on own capital to each shareholder of R\$ 40,000 for the period of January 1<sup>st</sup>, 2013, through December 31, 2013, to be individually credited in the proportion of 50% to each shareholder. Therefore, the net amount to be paid in the year ended March 31, 2014 was R\$ 34,000.

### **b.2) RCSA dividends**

#### **i) Dividends**

In accordance with the bylaws of RCSA, the amounts of the legal reserve and of the dividends for the year ended on March 31, 2015 are disclosed below:

	<u>2015</u>	<u>2014</u>
Net income for the fiscal year	1,202,294	1,063,546
(-) Establishment of legal reserve - 5%	(60,113)	(53,178)
Calculation basis for dividend distribution	<u>1,142,181</u>	<u>1,010,368</u>
Common shares		
Mandatory minimum dividend	11,422	10,104
(-) Interest on shareholders' equity	(190,500)	(183,000)
(-) Dividends paid in advance	<u>(539,360)</u>	<u>(360,000)</u>
Interest on capital remaining	-	19,550
Preferred shares	<u>74,412</u>	<u>187,861</u>
Total parent company	<u>74,412</u>	<u>207,411</u>
Dividends payable to non-controlling shareholders	<u>9,545</u>	<u>14,068</u>
Consolidated total	<u><u>83,957</u></u>	<u><u>221,479</u></u>

## **Raízen Group**

### **Management's Notes to the consolidated and combined financial information as of March 31, 2015** **(In thousands of Reais, except when indicated otherwise)**

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At the Extraordinary General Meeting held on July 28, 2014, the shareholders of RCSA discussed and approved the declaration of dividends to the holders of ordinary shares in proportion to the shares held by them amounting to R\$ 246,104, which was paid on October 31, 2014.

At the Extraordinary General Meeting held on October 16, 2014, the shareholders of RCSA discussed and approved the declaration of interim dividends between April 1 to September 30, 2014, in the amount of R\$ 220,360, to be credited individually in the proportion of 50% to each shareholder, fully settled on October 31, 2014.

At the Extraordinary General Meeting held on December 19, 2014, the shareholders of RCSA discussed and approved the declaration of dividends to the holders of ordinary shares in proportion to the shares held by them, amounting to R\$ 200,000, which R\$ 100,000 was paid to Cosan on 31 December 2014 and R\$ 100,000 was paid to Shell on January 7, 2015.

At the Extraordinary General Meeting held on March 16, 2015, the shareholders of RCSA discussed and approved the declaration of dividends to the holders of ordinary shares in proportion to the shares held by them in the amount of R\$ 119,000, which was paid on March 18, 2015.

#### ***ii) Interest on capital ("JCP")***

At the Extraordinary General Meeting held on October 16, 2014, the shareholders of RCSA deliberated and approved the declaration of interest on the equity calculated for the period between February 1<sup>st</sup> and September 30, in the amount of R\$ 109,500 individually credited at the rate of 50% for each shareholder. Therefore, the net amount of interest on equity and interim dividends payable is R\$ 93,075, full paid on October 31, 2014.

Additionally, on October 31, 2014, the RCSA paid the remaining balance of JCP, of March 31, 2014, net amount of R\$ 19,550.

At the Extraordinary General Meeting held on December 31, 2014, the shareholders of RCSA deliberated and approved the declaration of interest on the equity calculated for the period between October 1<sup>st</sup> and December 31, 2014, in the amount of R\$ 45,000, individually credited at the rate of 50% for each shareholder. Therefore, the net amount payable is R\$ 38,250, full paid on March 18, 2015.

At the Extraordinary General Meeting held on March 16, 2015, the RCSA shareholders deliberated and approved the declaration of interest on the equity calculated for the period between January 1<sup>st</sup> and February 28, 2015, in the amount of R\$ 36,000, individually credited at the rate of 50% for each shareholder. Therefore, the net amount payable is R\$ 30,600, full paid on March 18, 2015.

#### **c) Equity accounting adjustment**

##### **i) Actuarial liabilities**

Refers to gains and losses arising from the provision for payment of post-employment benefits. This component is recognized in other comprehensive income, but will never be reclassified to profit or loss in subsequent periods.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

#### ii) Net derivative gain – hedge accounting

This refers to changes in the fair value arising from cash-flow hedging of revenue from the export of raw sugar (called “VHP”), and exchange variations on foreign exchange agreement advances (“ACCs”) and export pre-payments (“PPEs”).

#### iii) Effect of conversion of foreign currency - CTA

This corresponds to differences in the conversion into Reais of the accounting information of investees with different functional currencies from RESA and RCSA.

#### iv) Changes in actuarial liabilities

Changes in equity valuation adjustments is as follows:

	2013	Comprehensive Income	2014	Comprehensive Income	2015
Foreign currency translation adjustments – CTA	(240 )	1,082	842	535	1,377
Actuarial gains (losses) on pension and post-employment plans	-	(234)	(234)	(9,322)	(9,556)
Gain (loss) on derivatives –Hedge accounting	99,619	(111,071)	(11,452)	34,284	22,832
<b>Total</b>	<b>99,379</b>	<b>(110,223)</b>	<b>(10,844)</b>	<b>25,497</b>	<b>14,653</b>
Attributable to:					
Controlling shareholders	99,379	(110,223 )	(10,844 )	25,507	14,663
Non-controlling shareholders	-	-	-	(10 )	(10 )

#### d) Legal reserve

Refers to the destination of 5% of the net income to legal reserve, pursuant to Company RCSA e RESA bylaws and in compliance with Brazilian Corporate Law.

#### e) Reserves for retention of earnings

##### e.1) RESA and RCSA:

On July 28, 2014, a meeting of the Board of Directors of RCSA discussed and approved the payment of dividends to the holders of ordinary shares in proportion to the shares held by them amounting to R\$ 298,651, being R\$ 160,473 to Shell and Cosan to R\$ 138,178.

The remaining balance of the net income of the Group after allocations to the legal reserve and provision of dividends, was appropriated to that account. The bylaws of RESA and RCSA predict that up to 80% of net income may be allocated to this reserve for its operations and new investments and projects, which may not exceed the percentage of 80% of the share capital.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

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#### Tax incentive reserve

Corresponds to the reflection effect of incentives recognized in the indirect subsidiary of RESA, Raízen Caarapó Açúcar e Alcool Ltda. ("Caarapó") due to a settlement agreement entered into by the No. 331/2008 Caarapó and the State of Mato Grosso do Sul, which is guaranteed, tax benefit on the sugar manufacturing operations in that state, equivalent to 67% of the balance debtor of ICMS.

#### 22. Net operating revenue

	<u>2015</u>	<u>2014</u>
Gross revenue from sales of products and services	67,540,999	60,673,839
Taxes and sales deductions/abatements	<u>(2,448,270)</u>	<u>(2,323,662)</u>
Net operating revenue	<u>65,092,729</u>	<u>58,350,177</u>

(1) On March 31, 2015, includes amortization related to exclusive supply rights in the amount of R\$ 266,043 (R\$ 218,980 in 2014).

#### 23. Expenses by nature

##### Reconciliation of expenses by nature

The expenses group is recognized in the consolidated statement of income by function. The reconciliation of results of the Group by nature for the fiscal year ended March 31, 2015 and 2014, is shown in detail below:

##### a) Expenses by nature:

	<u>2015</u>	<u>2014</u>
Fuels - resale	52,422,760	46,308,646
Raw materials	4,058,475	4,064,982
Depreciation and amortization (1)	2,115,123	1,932,623
Personnel expenses	1,439,779	1,280,060
Cutting, loading and transport	685,931	737,132
Freight	277,667	254,693
Selling expenses	330,579	151,727
Maintenance materials	371,168	300,624
Contracted labor	264,142	294,268
Rents and leasing	262,138	276,341
Power resale	112,284	-
Logistics expenses	92,278	92,377
Biological assets and agricultural products	31,383	73,361
Telecommunications	21,737	12,753
Other expenses (2)	<u>547,339</u>	<u>654,886</u>
	<u>63,032,783</u>	<u>56,434,473</u>

(1) Excludes amortization related to exclusive supply which are recorded under Sales return and allowances (Note 22).

(2) Includes grant revenue for investment – ICMS in the amount of R\$ 9,340 (R\$ 6,830 in 2014) (Note 17).

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### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

#### b) Classified as:

	<u>2015</u>	<u>2014</u>
Costs of products sold and services provided	60,487,102	53,851,225
Selling expenses	1,675,793	1,652,352
General and administrative expenses	869,888	930,896
	<u>63,032,783</u>	<u>56,434,473</u>

#### 24. Other operating revenue, net

	<u>2015</u>	<u>2014</u>
Profit from the sale of property, plant and equipment and investments	132,824	230,284
Rental and lease revenue	130,452	121,825
Gains and losses on the fair value of share (i)	55,872	-
Royalty revenue	52,533	49,099
Revenue of Investment subsidy - ICMS (Note 17)	50,217	25,260
Merchandising	43,834	41,074
Commission on sales of lubricants and cards	42,988	48,607
Capital gains on dilution of equity interest (Note 11.c.iii)	30,333	-
Shop license revenue	16,913	16,193
Provision for losses on technology contracts (Note 14)	(55,060)	(6,569)
Gain sale of Codexis shares (ii)	(15,506)	-
Recognition (reversal) of provision for impairment of property, plant and equipment	(8,678)	5,792
Constitution of provision for judicial claims and paid indemnities	(8,330)	(25,198)
Other revenue (expenses), net	1,761	14,622
	<u>470,153</u>	<u>520,989</u>

(i) Corresponds to the financial asset at fair value through profit or loss resulting from the value on the stock exchange of shares held by Codexis. During the year ended March 31, 2015, the Company recognized gain on the fair value of such shares in the amount of R\$ 55,872

(ii) On 10 March 2015, RESA signed the contract (Stock Purchase Agreement) for the sale of 5,573,319 shares of Codexis, to Vivo and Vivo Fund Affiliates. The value was \$ 15,500, equivalent to R\$ 48,513. On the same date, RESA made the derecognition of a financial asset measured at fair value through profit or loss in the amount of R\$ 55,872 and also the value previously evaluated by the equity method (Note 11.b), in the amount of R\$ 8,147.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

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#### 25. Financial income

	<u>2015</u>	<u>2014</u>
<u>Financial expenses</u>		
Interest	(663.398)	(520.939)
Bank expenses	(23.531)	(13.412)
Passive monetary variation	(71.668)	(59.070)
	<u>(758.597)</u>	<u>(593.421)</u>
Less: capitalized amounts on qualified assets (Note 13)	<u>40.636</u>	<u>65.737</u>
	<u>(717.961)</u>	<u>(527.684)</u>
<u>Financial revenue</u>		
Interest	227.101	174.337
Earnings from financial investments	248.278	114.355
Active monetary variation and other	16.998	28.915
	<u>492.377</u>	<u>317.607</u>
<u>Exchange variations</u>	<u>(1.319.651)</u>	<u>(440.610)</u>
<u>Net impact of derivatives</u>	<u>720.082</u>	<u>(20.783)</u>
	<u>(825.153)</u>	<u>(671.470)</u>

#### 26. Financial instruments

##### a) Overview

The Group shows exposure to the following market risks:

- Price risk
- Foreign exchange risk
- Interest rate risk
- Credit risk
- Liquidity risk

This note shows information about the exposure of the Group to each of the above risks, the objectives, practices and processes used by the Group to measure and manage them, and the capital management policy of the Group.

##### b) Risk management structure

The Group has specific policies treasury and trading that define a direction for risk management.

To monitor the activities and assurance of compliance with the policies, the Group has the Risk Committee that meets weekly to analyze the foreign exchange market behaviour and decide on the hedging positions in order to reduce the adverse effects of changes in exchange rate.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

The Group and its subsidiaries are exposed to market risks, the main ones are (i) the volatility of the exchange rate; and (ii) the volatility of interest rates. The use of financial instruments for the purpose of protection is made through a risk exposure analysis for which the Management seeks coverage. On March 31, 2015 and 2014, the fair values related to transactions involving derivative financial instruments for hedging purposes or other purposes were measured at fair value through observable factors such as quoted prices in active markets or discounted cash flows based on curves market and are presented below:

	Notional		Fair Value	
	2015	2014	2015	2014
Price risk				
Derivatives of products				
Future contracts	1,660,432	1,336,437	409,316	(12,053)
	<u>1,660,432</u>	<u>1,336,437</u>	<u>409,316</u>	<u>(12,053)</u>
Foreign exchange risk				
Exchange rate derivatives	(820,443)	-	(3,281)	-
Future contracts	(1,580,467)	42,500	231,589	274
Forward contracts	(5,974)	1,810	1,191	42,310
Exchange locks	(2,685,844)	227,698	256,170	21,106
	<u>(5,092,728)</u>	<u>272,008</u>	<u>485,669</u>	<u>63,690</u>
Interest rate risk				
Derivatives of exchange rates	710,000	-	(408)	116
Swap contracts	(561,400)	592,906	(4,321)	(5,945)
	<u>148,600</u>	<u>592,906</u>	<u>(4,729)</u>	<u>(5,829)</u>
Total			<u>890,256</u>	<u>45,808</u>
Current assets			875,205	224,476
Non-current assets			<u>315,279</u>	<u>1,109</u>
Total assets			<u>1,190,484</u>	<u>225,585</u>
Current liabilities			(243,997)	(166,899)
Non-current liabilities			<u>(56,231)</u>	<u>(12,878)</u>
Total liabilities			<u>(300,228)</u>	<u>(179,777)</u>
Total			<u>890,256</u>	<u>45,808</u>

#### c) Price risk

Derives from the possibility of variations in the market prices of goods sold by the Group, mainly VHP sugar (sugar #11), refined sugar (sugar #5 or "white sugar") and ethanol. Price fluctuations can cause substantial changes in revenue, and in order to minimize this risk, the Group always monitors the market and takes steps to ensure it is prepared for price fluctuations. In the table below, the positions of derivative financial instruments covering commodity price risks are shown:

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### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

Price risk: outstanding derivatives of products on March 31, 2015							
Derivatives Purchased/Sold	Market	Agreement	Maturity	Notional (units)	Notional (R\$ thousand)	Fair value (R\$ thousand)	
Future	Sold	NYSE LIFFE	Sugar#5	Apr/15	5,050 t	6,429	671
Future	Sold	NYSE LIFFE	Sugar#5	Jul/15	5,850 t	7,710	1,125
Future	Sold	NYSE LIFFE	Sugar#5	Sep/15	7,800 t	10,474	1,676
Future	Sold	NYSE LIFFE	Sugar#5	Nov/15	2,850 t	3,907	628
Future	Sold	ICE	Sugar#11	Apr/15	386,047 t	418,630	92,907
Future	Sold	ICE	Sugar#11	Jun/15	474,545 t	544,920	140,164
Future	Sold	ICE	Sugar#11	Sep/15	611,508 t	729,414	181,025
Future	Sold	ICE	Sugar#11	Feb/16	145,701 t	179,934	36,597
Future	Sold	ICE	Sugar#11	Jun/16	44,858 t	48,177	3,919
Future	Sold	ICE	Sugar#11	Sep/16	43,537 t	46,876	3,398
Future	Sold	OTC	Sugar#11	Sep/15	-	-	687
Subtotal of future sugar sold					1,727,746 t	1,996,471	462,797
Future	Purchased	NYSE LIFFE	Sugar#5	Apr/15	(1,300) t	(1,591)	(109)
Future	Purchased	ICE	Sugar#11	Apr/15	(231,913) t	(253,183)	(57,508)
Future	Purchased	ICE	Sugar#11	Jun/15	(50,294) t	(56,392)	(13,494)
Future	Purchased	ICE	Sugar#11	Sep/15	(28,500) t	(31,756)	(6,197)
Future	Purchased	ICE	Sugar#11	Feb/16	(9,500) t	(11,511)	(2,165)
Future	Purchased	ICE	Sugar#11	Apr/16	(1,016) t	(1,064)	(60)
Future	Purchased	ICE	Sugar#11	Jun/16	(1,016) t	(1,062)	(60)
Subtotal of future sugar purchased					(323,539) t	(356,559)	(79,593)
Subtotal of future sugar					1,404,207 t	1,639,912	383,204
Future	Sold	BM&FBovespa	Ethanol	Mar-Dec/15	35,910 m³	54,035	113
Future	Sold	NYMEX	Ethanol	Apr-Sep/15	47,696 m³	20,235	5,021
Future	Sold	CHGOETHNL	Ethanol	Apr/15	152,800 m³	198,677	10,160
Future	Sold	CHGOETHNL	Ethanol	May/15	56,800 m³	80,502	9,382
Future	Sold	CHGOETHNL	Ethanol	Jun/15	53,600 m³	76,490	9,575
Future	Sold	CHGOETHNL	Ethanol	Jul/15	40,800 m³	49,443	(1,320)
Future	Sold	CHGOETHNL	Ethanol	Aug/15	14,400 m³	17,343	(405)
Future	Sold	CHGOETHNL	Ethanol	Sep/15	14,400 m³	17,343	(225)
Future	Sold	CHGOETHNL	Ethanol	Oct/15	4,000 m³	4,808	(23)
Future	Sold	CHGOETHNL	Ethanol	Nov/15	21,600 m³	26,021	192
Future	Sold	CHGOETHNL	Ethanol	Dec/15	44,000 m³	52,739	250
Future	Sold	NYMEX	Ethanol	Jul/15	1,500 m³	2,344	(142)
Subtotal of future ethanol sold					487,506 m³	599,980	32,578
Future	Purchased	BM&FBovespa	Ethanol	Mar-Oct/15	(35,160) m³	(41,704)	(119)
Future	Purchased	NYMEX	Ethanol	Apr/15	(15,899) m³	(6,406)	(576)
Future	Purchased	NYMEX	Ethanol	May/15	(11,129) m³	(4,629)	(828)
Future	Purchased	NYMEX	Ethanol	Jun/15	(11,129) m³	(4,629)	(869)
Future	Purchased	NYMEX	Ethanol	Jul/15	(4,770) m³	(1,860)	7
Future	Purchased	NYMEX	Ethanol	Aug/15	(1,590) m³	(616)	(5)
Future	Purchased	NYMEX	Ethanol	Sep/15	(1,590) m³	(616)	(25)
Future	Purchased	CHGOETHNL	Ethanol	Apr/15	(74,400) m³	(97,452)	(4,666)
Future	Purchased	CHGOETHNL	Ethanol	May/15	(88,160) m³	(113,782)	(3,737)
Future	Purchased	CHGOETHNL	Ethanol	Jun/15	(57,280) m³	(75,715)	(4,206)
Future	Purchased	CHGOETHNL	Ethanol	Jul/15	(29,600) m³	(36,416)	413
Future	Purchased	CHGOETHNL	Ethanol	Aug/15	(56,000) m³	(68,421)	(372)
Future	Purchased	CHGOETHNL	Ethanol	Sep/15	(57,600) m³	(70,496)	(441)
Future	Purchased	CHGOETHNL	Ethanol	Out/15	(51,200) m³	(61,182)	567
Future	Purchased	CHGOETHNL	Ethanol	Nov/15	(33,600) m³	(39,969)	209
Future	Purchased	CHGOETHNL	Ethanol	Dec/15	(11,200) m³	(13,251)	8
Future	Purchased	CHGOETHNL	Ethanol	Jul/15	(1,500) m³	(2,453)	33
Subtotal of future ethanol purchased					(541,807) m³	(639,597)	(14,607)
Physical fixed	Sold	CHGOETHNL	Ethanol	Apr-Oct/15	176,304 m³	288,193	17,945
Physical fixed	Purchased	CHGOETHNL	Ethanol	Apr-Oct/15	(146,184) m³	(228,056)	(9,804)
Subtotal of physical fixed ethanol					30,120 m³	60,137	8,141
Subtotal of future ethanol						20,520	26,112
Total of derivatives of products on March 31, 2015						1,660,432	409,316
Total of derivatives of products on March, 31 2014						1,336,437	(12,053)

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

#### d) Foreign exchange risk

Arises from the possibility of fluctuations in the exchange rates used by the Raízen Group to calculate export and import revenue, debt flows and other foreign currency denominated assets and liabilities. The Group uses derivatives transactions to manage cash flow risks arising from US Dollar - denominated export revenue, net of other foreign currency denominated cash flow. The table below shows the outstanding derivative positions as at March 31, 2015 used to hedge against exchange rate risk:

Foreign exchange risk: Outstanding exchange rate derivatives on March 31, 2015							
Derivatives	Purchased/ Sold	Market	Agreement	Maturity	Notional (US\$ thousand)	Notional (R\$ thousand)	Fair Value (R\$ thousand)
Future	Sold	BMFBovespa	Commercial Dollar	Apr/ 15	470,000	1,507,760	6,697
Future	Sold	BMFBovespa	Commercial Dollar	MMay/ 15	205,815	660,255	3,823
Future	Sold	BMFBovespa	DDI	Jan/ 16	355,000	1,138,840	(5,575)
Subtotal of futures sold					1,030,815	3,306,855	4,945
Future	Purchased	BMFBovespa	Commercial Dollar	Apr/ 15	(545,000)	(1,748,360)	(7,766)
Future	Purchased	BMFBovespa	Commercial Dollar	May/ 15	(166,564)	(534,338)	(2,580)
Future	Purchased	BMFBovespa	DDI	Jan/ 16	(575,000)	(1,844,600)	2,120
Subtotal of futures purchased					(1,286,564)	(4,127,298)	(8,226)
Subtotal of futures purchased/sold					(255,749)	(820,443)	(3,281)
Forward	Sold	OTC/ Cetip	NDF	Feb/ 15	(470,000)	(1,365,632)	142,632
Forward	Sold	OTC/ Cetip	NDF	May/ 16	(150,000)	(485,032)	(550)
Forward	Purchased	OTC/ Cetip	NDF	Jan/ 15	(250,000)	(659,595)	186,618
Forward	Purchased	OTC/ Cetip	NDF	Apr/ 15	320,000	929,792	(97,111)
Subtotal of forwards purchased/sold					(550,000)	(1,580,467)	231,589
Exchange Swap	Purchased	OTC	Swap Exchange	Feb/ 17	(100,000)	(320,800)	28,245
Exchange Swap	Purchased	OTC	Swap Exchange	Mar/ 19	(600,000)	(1,924,800)	263,235
Exchange Swap	Purchased	OTC	Swap Exchange	Oct/ 21	(70,890)	(227,416)	(51,791)
Exchange Swap	Purchased	OTC	Swap Exchange	Jan/ 22	(42,964)	(137,828)	15,362
Exchange Swap	Purchased	OTC	Swap Exchange	Feb/ 17	(23,379)	(75,000)	1,119
Subtotal Swap					(837,233)	(2,685,844)	256,170
Exchange lock	Sold	OTC	Exchange lock	Apr/ 15	947	3039	628
Exchange lock	Sold	OTC	Exchange lock	Apr/ 15	(3,100)	(9,013)	563
Subtotal of exchange locks					(2,153)	(5,974)	1,191
Exchange total on March 31, 2015					(1,645,135)	(5,092,728)	485,669
Exchange total on March 31, 2014					105,167	272,008	63,690

On March 31, 2015 and 2014, the Group presented the following net exposure to US Dollar variance in assets and liabilities denominated in US Dollars:

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

	March 31, 2015		March 31, 2014	
	R\$	US\$ (in thousands)	R\$	US\$ (in thousands)
Cash and cash equivalents (Note 3)	409,428	127,628	344,716	152,327
Restricted cash (Note 4)	30,651	9,555	118,889	52,536
Trade notes receivable abroad (Note 5)	130,575	40,703	165,500	73,133
Related parties (Note 10)	(11,784)	(3,673)	111,676	49,349
Loans and financing (Note 16)	(6,115,042)	(1,906,185)	(3,929,725)	(1,736,511)
Derivatives (Note 26)	890,254	277,511	45,808	20,242
Other	(23,477)	(7,318)	(10,660)	(4,711)
Foreign exchange exposure, net	(4,689,395)	(1,461,779)	(3,153,796)	(1,393,635)

#### e) Effects of hedge accounting

The Raízen Group made a formal designation of its transactions subject to hedge accounting for derivative instruments used to hedge cash flow from VHP sugar export revenue. From April 1<sup>st</sup>, 2014 the Group also designates the hedge accounting of exchange variations related to the export of sugar and ethanol using financial instruments to hedge cash flow from denominated revenue, by documenting: (i) the hedge relationship, (ii) the Group's risk-management goal and strategy to contract the hedge, (iii) the identification of the financial instrument, (iv) the hedged item or transaction, (v) the nature of the risk to be hedged, (vi) the description of the hedge relationship, (vii) the correlation between the hedge and the hedged item, and (viii) the retrospective and prospective statement of hedge effectiveness. The Group designated as eligible financial instruments its ACCs, PPEs, exchange locks, and NDFs.

On March 31, 2015, the impacts accounted for in the Group's shareholder's equity and the estimated realization in the income statement were as follow:

Derivative	Market	Risk	As at March 31, 2015		
			Realization period		Total
			2015/16	2016/17	
Future	OTC/NYBOT	Sugar#11	388,130	7,318	395,448
Future	BMF&BOVESPA	Ethanol	(178)	-	(178)
ACC and PPE	Debt	Exchange	(360,658)	-	(360,658)
			27,294	7,318	34,612
(-) Deferred taxes			(9,292)	(2,488)	(11,780)
Effect on shareholder's equity on March 31, 2015			18,002	4,830	22,832

Derivative	Market	Risk	As at March 31, 2014		
			Realization period		Total
			2014/15	2015/16	
Future	OTC/ NYBOT	Sugar#11	(16,377)	(915)	(17,292)
Future	BM&FBovespa	Ethanol	(61)	-	(61)
			(16,438)	(915)	(17,353)
(-) Deferred taxes			5,590	311	5,901
Effect on shareholder's equity on March 31, 2014			(10,848)	(604)	(11,452)

Below are the changes in the balances of other comprehensive income during the year:

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

#### Cash flow hedge

Balance on March 31, 2013	99,619
Gains/(losses) in the year:	
Futures contracts for commodities	1,708
Sales revenue – commodities	(261,929)
Financial income	91,929
Total effect in adjustment for equity valuation from cash flow hedge (before deferred taxes)	(168,292)
Effect of deferred taxes in equity valuation adjustment	57,221
	(111,071)
Balance on March 31, 2014	(11,452)
Gains/(losses) in the year:	
Futures contracts for commodities	649,186
Exchange rate lock	(1,780)
Advance on export contracts and PPE	(549,564)
Sales revenue – commodities	(231,740)
Sales revenue – foreign exchange	190,693
Financial income	(4,830)
Total effect in adjustment for equity valuation from cash flow hedge (before deferred taxes)	51,965
Effect of deferred taxes in equity valuation adjustment	(17,681)
	34,284
Balance on March 31, 2015	22,832

#### f) Interest rate risk

The Group monitors fluctuations in floating interest rates pegged to some debts, mainly those pegged to Libor rate, and makes use of derivatives to minimize these risks. The table below shows the outstanding derivatives positions used to hedge against interest rate risk, as at March 31, 2015:

<b>Interest rate risk of outstanding interest-rate derivatives on March 31, 2015</b>						
<u>Derivatives</u>	<u>Assets/Liabilities</u>	<u>Market</u>	<u>Maturity</u>	<u>Notional (US\$ thousand)</u>	<u>Notional (in thousands of R\$)</u>	<u>Fair Value (in thousands of R\$)</u>
Interest swap	Santander	OTC	Sep/ 17	(75,000)	(240,600)	(1,281)
Interest swap	Goldman	OTC	Mar/ 19	(100,000)	(320,800)	(3,040)
Subtotal of swaps				(175,000)	(561,400)	(4,321)
Future	BMFBovespa	DI	Jan/ 16	587,594	1,885,000	267
Future	BMFBovespa	DI	Jan/ 16	(366,272)	(1,175,000)	(676)
Subtotal of futures				221,322	710,000	(409)
Total interest on March 31, 2015				46,322	148,600	(4,729)
Total interest on March 31, 2014				262,000	592,906	(5,829)

#### g) Credit risk

## **Raízen Group**

### **Management's Notes to the consolidated and combined financial information as of March 31, 2015** **(In thousands of Reais, except when indicated otherwise)**

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A significant portion of sales by the Group and its subsidiaries is to a selected 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, credit rating and setting of 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 substantially covered by the allowance for doubtful accounts.

The limits for individual risks are determined based on internal or external classifications according to the limits determined by the Group Management. The use of the credit limits is regularly monitored. No credit limits were exceeded during the period, and Management does not expect any losses from default by these counterparties in excess of the amount already provided.

The Group operates goods derivatives in futures and options markets in the New York Board of Trade ("NYBOT") and in the London International Financial Futures and Options Exchange ("LIFFE"), as well as the over-the-counter market with selected counterparties. The Group operates derivatives from exchange fees and commodities in BM&FBovespa and in over-the-counter contracts registered in CETIP, mainly with the national and international banks, considered by international risk classification as investment grade.

**Guarantee margins** – The derivative operations on commodity exchanges (NYBOT, LIFFE and BM&FBovespa) require an initial guarantee margin. On March 31, 2015, the total of margin deposited was R\$ 112,145, of which R\$ 68,945 in restricted investments and R\$ 43,200 in margin derivative transactions. On March 31, 2014, the total of margin deposited was R\$ 233,494, of which R\$ 99,782 in restricted investments and R\$ 133,712 in margin derivative transactions. The derivatives transactions of the Group in the market do not require a margin in guarantee.

The credit risk on cash and cash equivalents, comprised mainly of investment funds and CDBs (Note 3), distributed among the main national and international banks rated by international risk rating agencies as investment grade.

#### **h) Liquidity risk**

Liquidity risk is the risk of the Company facing difficulties to perform obligations associated with its financial liabilities that are settled with spot cash payments or with another financial asset. The approach of the Company in the management of liquidity is to assure, to the maximum extent, that it always has sufficient liquidity to perform its obligations as they mature, under normal and stressful conditions, without causing losses that are unacceptable or have the risk of being detrimental to the Group's reputation.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

The table below shows the financial liabilities by maturity:

					2015	2014
	Up to one year	Up to two years	From three to five years	Five years or more	Total	Total
Loans and financing (1)	1,479,503	2,503,070	6,682,253	4,416,889	15,081,715	10,686,778
Related parties (1)	262,270	-	-	932,431	1,194,701	1,453,468
	<u>1,741,773</u>	<u>2,503,070</u>	<u>6,682,253</u>	<u>5,349,320</u>	<u>16,276,416</u>	<u>12,140,246</u>

(1) Undiscounted contractual cash flows.

#### i) **Debt acceleration risk**

As at March 31, 2015 and 2014, the Company was subject to certain covenants under its loans and financing, related to cash generation, a debt to equity ratio and others. These covenants are being fully complied with by the Company and do not place any restrictions on its operations.

#### j) **Fair value**

Fair value of financial assets and liabilities is represented by the amount for which an instrument could be exchanged in a current transaction between willing parties, and not by way of forced sale or settlement. The following methods and assumptions were used to estimate fair value.

The fair value of cash and cash equivalents, trade receivables, other financial assets, trade payables to suppliers, due to/from related parties, and other short-term payables approximates their book values mainly due to the short-term maturity of these instruments. The fair value of other long-term assets and liabilities do not significantly differ from their book value.

The fair value of loans and financing mainly approximates their book values since these financial instruments are subject to floating interest rates (Note 16). The fair value of tradable Senior Notes is based on price quotations at the financial statements date. As at March 31, 2015, the fair value of Senior Notes maturing in 2017 (Note 16) corresponded to 107.25% (110.43% in 2014), of their face value.

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

The Group contracts derivative financial instruments with different counterparties, including financial institutions with credit ranking from investment grade. The assessed derivatives using assessment techniques upon data taken from the market mainly refer to swaps of interest rates, forward exchange and commodities contracts. The assessment techniques often applied include pricing models for forward contracts and swaps, for which calculations are made upon the current amount. The models incorporate different data, including those referring to the credit quality of the counterparties, the exchange rates at sight and long-term, the interest rates and the long-term rates for the commodity.

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### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

The categories of financial instruments are presented as follow:

	Classification	Book value		Market value	
		2015	2014	2015	2014
<b>Financial assets</b>					
Cash and cash equivalents (Note 3)	Loans and receivables	357,429	682,922	357,429	682,922
Financial investments	Fair value through profit or loss	3,670,801	1,654,699	3,670,801	1,654,699
Restricted cash (Note 4)	Loans and receivables	188,624	304,582	188,624	304,582
Trade accounts receivable (Note 5)	Loans and receivables	1,903,428	1,775,905	1,903,428	1,775,905
Derivative financial instruments (2) (26.b)	Fair value through profit or loss	1,190,484	225,585	1,190,484	225,585
Related parties (Note 10)	Loans and receivables	1,250,763	1,663,388	1,250,763	1,663,388
Other financial assets (Note 9)	Loans and receivables	981,351	903,947	981,351	903,947
		<u>9,542,880</u>	<u>7,211,028</u>	<u>9,542,880</u>	<u>7,211,028</u>
<b>Financial liabilities</b>					
Loans and financing (1) (Note 16)	Amortized cost	(11,918,593)	(8,448,727)	(12,012,692)	(8,568,243)
Derivative financial instruments (Note 26.b)	Fair value through profit or loss	(300,228)	(179,777)	(300,228)	(179,777)
Suppliers (Note 15)	Other financial liabilities	(1,329,591)	(1,414,087)	(1,329,591)	(1,414,087)
Related parties (Note 10)	Other financial liabilities	(1,194,701)	(1,453,468)	(1,194,701)	(1,453,468)
		<u>(14,743,113)</u>	<u>(11,496,059)</u>	<u>(14,837,212)</u>	<u>(11,615,575)</u>

(1) Stated net of securities placement expenses.

(2) On March 31, 2015, includes derivatives designated as hedge instruments amounting to R\$ 34,618 (R\$ 17,353 in 2014)

### Fair value hierarchy

The Group uses the following hierarchy to determine and disclose the fair value of financial instruments using the valuation technique:

- Level 1 – quoted prices (not adjusted) in active markets for identical assets and liabilities;
- Level 2 – other techniques for which all inputs with significant effects on the fair value are observable, either directly or indirectly; and
- Level 3 – techniques that use inputs with significant effects on fair value not based on observable market input.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total
<b>March 31, 2014</b>				
Cash and cash equivalents, except financial investments		682,922	-	682,922
Financial investments		1,654,699	-	1,654,699
Restricted cash		304,582	-	304,582
Trade accounts receivable		-	-	-
Related Parties		1,775,905	-	1,775,905
Derivative financial assets	131,024	94,561	-	225,585
Other financial assets	-	903,947	-	903,947
Trade accounts payable		(1,414,087)	-	(1,414,087)
Loans and financing		(8,568,243)	-	(8,568,243)
Derivative financial liabilities	(142,686)	(37,091)	-	(179,777)
Related Parties		(1,602,041)	-	(1,602,041)
<b>Total</b>	<b>(11,662)</b>	<b>4,370,329</b>	<b>-</b>	<b>4,381,991</b>
<b>March 31, 2015</b>				
Cash and cash equivalents, except financial investments	-	357,429	-	357,429
Financial investments	-	3,670,801	-	3,670,801
Restricted cash	-	188,624	-	188,624
Trade accounts receivable	-	1,903,428	-	1,903,428
Related Parties	-	1,250,763	-	1,250,763
Derivative financial assets	537,959	651,838	687	1,190,484
Other financial assets	-	981,351	-	981,351
Trade accounts payable	-	(1,329,591)	-	(1,329,591)
Loans and financing	-	(12,012,692)	-	(12,012,692)
Derivative financial liabilities	(133,018)	(167,210)	-	(300,228)
Related Parties	-	(1,194,700)	-	(1,194,700)
<b>Total</b>	<b>404,941</b>	<b>(5,699,959)</b>	<b>687</b>	<b>(5,294,331)</b>

As at March 31, 2015 and 2014, there were no transfers between these levels.

#### k) 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 Raízen Group:

##### Assumptions for the sensitivity analysis

For the analysis, the Group adopted three scenarios, one probable and two that may have effects on the impairment and fair value of the Group's derivative financial instruments. The probable scenario was defined based on the sugar future market and Dollar curves as at March 31, 2015 and 2014, which determine the balance of derivatives at fair value as at the mentioned date. The adverse possible and remote scenarios were defined taking into consideration the adverse impacts of 25% and 50% on the sugar and Dollar price curves, which were considered as the basis for the probable scenario.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

#### Sensitivity table

The Raízen Group performed simulations with increases and reductions in sugar prices (US\$/tonne) of +/- 25% (possible) and +/- 50% (remote):

		Simulations of sugar prices (US \$ / tonne) 2015			
Maturity	Balance sheet date	Scenario			
		25%	50%	-25%	-50%
04/30/2015	11.93	14.91	17.9	8.95	5.97
06/30/2015	12.06	15.08	18.09	9.05	6.03
09/30/2015	12.68	15.85	19.02	9.51	6.34
02/29/2016	13.91	17.39	20.87	10.43	6.96
04/29/2016	13.98	17.48	20.97	10.49	6.99
06/30/2016	13.95	17.44	20.93	10.46	6.98
09/30/2016	14.12	17.65	21.18	10.59	7.06
02/28/2017	14.54	18.18	21.81	10.91	7.27
04/28/2017	14.44	18.05	21.66	10.83	7.22
06/30/2017	14.36	17.95	21.54	10.77	7.18
09/20/2017	14.43	18.04	21.65	10.82	7.22

		Simulations of sugar prices (US \$ / tonne) 2014			
Maturity	Balance sheet date	Scenario			
		25%	50%	-25%	-50%
04/30/2014	17.77	22.21	26.66	13.33	8.89
06/30/2014	18.13	22.66	27.20	13.60	9.07
09/30/2014	18.55	23.19	27.83	13.91	9.28
02/28/2015	19.17	23.96	28.76	14.38	9.59
04/30/2015	19.00	23.75	28.50	14.25	9.50
06/30/2015	18.74	23.43	28.11	14.06	9.37
09/30/2015	18.79	23.49	28.19	14.09	9.40
02/28/2016	19.04	23.80	28.56	14.28	9.52
04/30/2016	18.96	23.70	28.44	14.22	9.48
06/30/2016	18.91	23.64	28.37	14.18	9.46
09/30/2016	19.03	23.79	28.55	14.27	9.52

The following is the sensitivity table on the change in the fair value of the Raízen Group's financial derivatives and its subsidiaries in the probable, possible and remote scenarios:

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

	Risk factor	Probable scenario	Impacts on Income 2015(*)			
			Possible Scenario + (25%)	Fair value balance	Remote Scenario + (50%)	Fair value balance
<u>Price risk</u>						
Derivatives of products						
Future contracts:						
Sales undertakings	Increase of sugar price	383,204	(314,349)	68,855	(628,698)	(245,494)
Purchase undertakings	Increase of hydrated ethanol price	26,112	(54,391)	(28,279)	(108,782)	(82,670)
Total price risk		409,316	(368,740)	40,576	(737,480)	(328,164)
<u>Foreign exchange risk</u>						
Exchange rate derivatives						
Future contracts:						
Commitment for purchase and sale	Decrease in price R\$/US\$	(3,282)	(94,945)	(98,227)	(189,890)	(193,172)
Forward contracts:						
Commitment for purchase and sale	Decrease in price R\$/US\$	231,589	(423,459)	(191,870)	(846,918)	(615,329)
Exchange locks:						
Commitment for purchase and sale	Decrease in price R\$/US\$	1,191	(4,341)	(3,150)	(8,682)	(7,491)
Exchange swaps:						
Commitment for purchase and sale	Decrease in price R\$/US\$	256,170	(531,127)	(274,957)	(1,062,254)	(806,084)
Total exchange rate risk		485,668	(1,053,872)	(568,204)	(2,107,744)	(1,622,076)
<u>Interest rate risk</u>						
Interest derivatives						
Swap contracts, locks, DI and NDF	Decrease in interest rates	(4,730)	(58,124)	(62,854)	(116,248)	(120,978)

(\*) Projected results to occur up to 12 months from March 31, 2015.

	Risk factor	Probable scenario	Impacts on Income 2014(*)			
			Possible Scenario + (25%)	Fair value balance	Remote Scenario + (50%)	Fair value balance
<u>Price risk</u>						
Derivatives of products						
Future contracts:						
Sales undertakings	Increase of sugar price	(13,857)	(382,580)	(396,437)	(765,160)	(779,017)
Purchase undertakings	Increase of hydrated ethanol price	1,804	(35,737)	(33,933)	(71,474)	(69,270)
Total price risk		(12,053)	(418,317)	(430,370)	(836,634)	(848,687)
<u>Foreign exchange risk</u>						
Exchange rate derivatives						
Future contracts:						
Commitment for purchase and sale	Increase in price R\$/US\$	274	(16,345)	(16,071)	(32,690)	(32,416)
Commitment for purchase and sale	Increase in price R\$/US\$	42,310	(11,770)	30,540	(23,540)	18,770
Exchange locks:						
Commitment for purchase and sale	Decrease in price R\$/US\$	21,106	(65,000)	(43,894)	(130,000)	(108,894)
Total exchange rate risk		63,690	(93,115)	(29,425)	(186,230)	(122,540)
<u>Interest rate risk</u>						
Interest derivatives						
Swap contracts, locks, DI and NDF	Decrease in interest rates	(5,829)	(8,361)	(14,190)	(16,722)	(22,551)

(\*) Projected results to occur up to 12 months from March 31, 2014.

Additionally, the Raízen Group and its subsidiaries made two simulations involving appreciations and decreases in exchange rates (R\$/US\$) by +/- 25% (possible) and +/- 50% (remote) and their impacts on the Group's assets and liabilities pegged to the US Dollar.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

	Balance sheet date	Exchange rate simulations (R\$/US\$)			
		Scenarios			
		+25%	+50%	-25%	-50%
March 31, 2015	3.2080	4.0100	4.8120	2.4060	1.6040
March 31, 2014	2.2630	2.8288	3.3945	1.6973	1.1315

The probable scenario takes into consideration the position on March 31, 2015, The effects of possible and remote scenarios would be recorded in consolidated income as exchange variation gains (losses) and are as follow:

Net exchange exposure as at March 31, 2015		Exchange variation effect			
		Scenarios			
		+25%	+50%	-25%	-50%
Cash and cash equivalents (Note 3)	409,428	102,357	204,714	(102,357)	(204,714)
Restricted cash (Note 4)	30,651	7,663	15,326	(7,663)	(15,326)
Trade notes receivable abroad (Note 5)	130,575	32,644	65,288	(32,644)	(65,288)
Related parties (Note 10)	(11,784)	(2,946)	(5,892)	2,946	5,892
Loans and financing (Note 16)	(6,115,042)	(1,528,761)	(3,057,521)	1,528,761	3,057,521
Other	(23,477)	(5,869)	(11,739)	5,869	11,739
Impact on income		(1,394,912)	(2,789,824)	1,394,912	2,789,824

Net exchange exposure as at March 31, 2014		Exchange variation effect			
		Scenarios			
		+25%	+50%	-25%	-50%
Cash and cash equivalents (Note 3)	344,716	86,179	172,358	(86,179)	(172,358)
Restricted cash (Note 4)	118,889	29,722	59,445	(29,722)	(59,445)
Trade notes receivable abroad (Note 5)	165,500	41,375	82,750	(41,375)	(82,750)
Related parties (Note 10.a.3)	111,676	27,919	55,838	(27,919)	(55,838)
Loans and financing (Note 16)	(3,929,725)	(982,431)	(1,964,863)	982,431	1,964,863
Other	(10,660)	(2,665)	(5,330)	2,665	5,330
		(799,901)	(1,599,802)	799,901	1,599,802

The Group and its subsidiaries made simulations of floating interest rates on borrowing and financing and income from investments pegged to the CDI rate. These simulations involved appreciations and depreciations of 25% and 50%, the results are as follow:

		March 31, 2015		
		Probable scenario	Interest rate sensitivity	
			Possible scenario (+/- 25%)	Remote scenario (+/- 50%)
Financial statements	Decrease	418,334	313,750	209,168
	Increase	418,334	522,918	627,502
Loans and financing	Decrease	(529,082)	(396,812)	(264,541)
	Increase	(529,082)	(661,353)	(793,624)

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015

(In thousands of Reais, except when indicated otherwise)

		<b>March 31, 2014</b>		
		<b>Interest rate sensitivity</b>		
		<b>Probable scenario</b>	<b>Possible scenario (+/- 25%)</b>	<b>Remote scenario (+/- 50%)</b>
Financial statements	Decrease	145,563	109,172	72,782
	Increase	145,563	181,954	218,345
Loans and financing	Decrease	(425,590)	(319,193)	(212,795)
	Increase	(425,590)	(531,988)	(638,385)

#### 1) Capital management

The Group's goal, when managing its capital structure, is to ensure that it will continue as a going concern and be able to finance investment opportunities, by keeping a healthy credit profile and offering an appropriate return to its shareholders.

The Group has relationships with large local and international banks and financial institutions. Between May and August, 2014 Fitch Ratings, Moody's and Standard and Poor's rated the Company's creditworthiness as "AAA (bra)", "Aaa.br" e "brAAA" respectively.

The financial leverage ratios as at March 31, 2015 and 2014 were calculated as follow:

	<b>2015</b>	<b>2014</b>
<b>Third party capital</b>		
Loans and financing (Note 16)	11,918,593	8,448,727
(-) Cash and cash equivalents (Note 3)	(4,028,230)	(2,337,621)
(-) Financial investments linked to financing (Note 4)	(45,828)	(71,088)
(-) National Treasury Certificate – CTN (Note 9)	(501,794)	(434,366)
	<u>7,342,741</u>	<u>5,605,652</u>
<b>Own capital</b>		
Shareholders' equity		
Attributable to shareholders of the parent company	11,227,763	10,870,990
Non-controlling shareholders' interest	152,161	110,877
	<u>11,379,924</u>	<u>10,981,867</u>
<b>Total third party capital</b>	<u>18,722,664</u>	<u>16,587,519</u>
<b>Financial leverage ratio</b>	<u>39%</u>	<u>34%</u>

The increase in the Company's leverage ratios was influenced by new loans and borrowings raised during the year ended March 31, 2015, mainly the syndicated loan arrangements, CRA, ACCs and BNDES, offset by the full settlement of the Senior Notes Due 2014 (Note 16). This increase is aligned with the Company's strategy of maintaining the normal course of business, as well as maintaining adequate cash balances.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

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#### 27. Anticipated revenue

	<u>2015</u>	<u>2014</u>
Commission on sales (a)	253,760	294,910
Loyalty cards (b)	52,333	54,333
Contracts	37,302	31,388
Other	<u>3,590</u>	<u>6,510</u>
	346,985	387,141
Current	<u>(83,014)</u>	<u>(79,506)</u>
Non-current	<u>263,971</u>	<u>307,635</u>

- (a) Refers to the receipt in advance of R\$ 411,502 from Shell, relating to the commission on the sale of lubricants at Shell's service stations over a period of ten years, as set forth in the lubricant sales representation agreement.
- (b) Refers to the anticipated revenue in the amount of R\$ 60,000 for the development of trade partnerships in order to explore over 30 years the customer portfolio.

The amortization of the advanced revenue are recorded in the income of the year under Other operating income, net (Note 24).

#### 28. Retirement supplementation plan

##### (a) Pension plan

###### Defined contribution

The Group sponsors the Root Benefits Plan, administered by Raízprev - Private Pension Fund, which is a closed supplementary pension entity non-profit.

The entity is endowed with administrative and financial independence, having as its object the administration and execution of retirement benefit plans, as defined in the Regulations of the benefit plans.

The Group has no legal or constructive obligations to make additional contributions in the event that the plan has insufficient assets for the payment of all benefits, or in the event of eventual deficit.

In the fiscal year ended March 31, 2015, the amount of contribution recognized as expenses was R\$ 16,611 (R\$ 13,692 in 2014).

#### 29. Insurance

The Group and its subsidiaries have an insurance and risk management program that offers coverage and protection consistent with its assets and operations.

The insurance coverage contracted is based on a strict risk and loss study conducted by local insurance advisers, and the insurance is considered by Management to be sufficient to cover probable losses that may arise, based on the nature of the activities of the Group's companies.

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

<u>Asset covered</u>	<u>Coverage</u>	<u>Insured Amount</u>	<u>Amount of coverage</u>
Inventories and property, plant and equipment	Fire, lightning, explosion, windstorm, breakdown of machinery, loss of profit and other	15,266,934	7,040,589
National transport	Maritime risk shipper loads Road risk and civil liability of cargo carriers	9,000 24,000	9,000 24,000
General civil liability for directors and officers	Third party complaints	Not applicable	2,180,000
Total		15,299,934	9,253,589

The risk provisions adopted are not part of the scope of review Included in the scope of auditoriums. Consequently, they were not examined by the Group's independent auditors.

## 25. Business combination and corporate restructuring

### i) Purchase of Latina Distribuidora de Petróleo Ltda. ("Latina") by RCSA

On April 1<sup>st</sup>, 2014, RCSA purchased all of Latina's shares in circulation for R\$ 178,336. The purpose of the acquisition was to extend the presence of the Shell brand and its products and services in the three states in the southern region, as well as to improve the efficiency of the Group's distribution logistics for the network of gas stations, principally in the interior of the state of Rio Grande do Sul.

The fair value of Latina's assets acquired and liabilities assumed on the acquisition date was as follows:

<u>Line Items</u>	<u>Total</u>
Trade accounts receivable	49,648
Inventories	26,061
Advances to suppliers	10,443
Recoverable taxes	1,729
Court deposits	7,925
Deferred taxes (Note 18.c)	(16,926)
Other assets	41
Property, plant and equipment (Note 13)	27,660
Intangible assets (Note 14)	53,806
Suppliers	(13,515)
Loans	(22,994)
Provision for judicial claims (Note 19)	(10,649)
Wages and salaries payable	(1,103)
Income tax and social contribution payable	(1,481)
Other obligations	(3,333)
Net assets	107,312
(-) Consideration transferred, net of cash received	177,744
Final goodwill (Note 14)	70,432

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

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At a meeting of members held on the same date of the acquisition, the merger of Latin by the Company was approved.

#### i) Costa Rica Canavieira Ltda. ("Costa Rica")

On June 28, 2012, Raízen Energia acquired all 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, dependent on the fulfillment of specified terms of the agreement. This acquisition was made to increase the supply of sugarcane and to achieve synergies in existing Company operations.

On July 6, 2012, the Company paid R\$8,435 to settle the conditional payment. Thus, upon completion of the transaction, the amount paid for the acquisition of Costa Rica totaled R\$108,435.

During the year ended March 31, 2014, the purchase price allocation was concluded, based on the fair value of assets acquired and liabilities assumed, as follows:

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

(i) On September 26, 2012, Raízen Energia sold to São Martinho S.A. the rights of certain agricultural contracts acquired through the business combination with Costa Rica, for R\$ 19,730.

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

<u>Description</u>	<u>Total</u>
Biological assets	20,827
Land leasing agreements	9,375
Partnership agricultural agreements (i)	<u>19,730</u>
	49,932
Consideration transferred, net of cash acquired	<u>108,434</u>
<b>Preliminary goodwill</b>	<u>58,502</u>
Sugarcane supply agreements	(1,117)
Deferred taxes on appreciation of assets	17,357
Net effect of the sale of contractual rights of leases of land	<u>(17,573)</u>
<b>Final goodwill</b>	<u><u>57,169</u></u>

## Raízen Group

### Management's Notes to the consolidated and combined financial information as of March 31, 2015 (In thousands of Reais, except when indicated otherwise)

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#### ii) Purchase of Cerrado Açúcar e Álcool S.A. ("Cerrado") by RESA

On December 17, 2013, Raízen Energia acquired all the shares of Cerrado for R\$ 47,500 plus the amount of R\$ 1,403 of reimbursements by the 2014/2015 crop suppliers of advances paid in cash, resulting in preliminary goodwill of R\$ 33,663 on this operation. This acquisition was made to increase the supply of sugar cane and to leverage the expected synergies with the RESA's existing operations.

On December 2014, the allocation of the purchase price was concluded by the Management, based on the fair value of assets acquired and liabilities assumed as follows:

<u>Line Items</u>	<u>Total</u>
Biological assets	15,240
Consideration transferred, net of cash received	<u>48,903</u>
Preliminary goodwill	<u>33,663</u>
Leases (Note 14)	4,184
Partnership contracts (Note 14)	8,119
Supply contracts (Note 14)	3,230
Deferred taxes on appreciation of assets (Note 18.c)	<u>(6,530)</u>
	<u>9,003</u>
	<u>24,660</u>
Final goodwill (Note 14)	<u><u>                    </u></u>

#### iii) Write-off due to Cerrado by RESA.

On January 29, 2014, the Extraordinary General Meeting discussed and approved the merger of Cerrado into RESA. Accordingly, RESA's investment in Cerrado was replaced in regard to the merged net assets, and the capital remained unchanged, with subsequent liquidation of Cerrado.

As mentioned in Note 30.iii, the Company acquired all shares of Cerrado for the amount of R\$ 48,903

#### iv) Corporate restructuring involving liquid assets relating to electricity co-generation activity

As mentioned in Note 1, in June 2014, RESA and its subsidiaries underwent a corporate restructuring, during which eleven new thermoelectric companies ("UTES") were created, with RESA and its subsidiaries paying in capital using liquid assets, related to the activity of co-generation of electricity.

Such corporate restructuring produced no impact on the consolidated financial statements and combined, except for the reversal of deferred taxes on temporary differences in the amount of R\$ 43,341, the fact UTES be taxed on deemed income. See Note 18.a.

#### v) Corporate restructuring involving liquid assets relating to real estate investment activity

On November 18, 2014 the Saturno Investimentos Imobiliários Ltda ("Saturno"), was incorporated by RCSA and Sampras Participações Ltda., in the amounts of R\$ 999.00 and R\$ 1.00, respectively, fully paid in December 23, 2014.

## **Raízen Group**

### **Management's Notes to the consolidated and combined financial information as of March 31, 2015** **(In thousands of Reais, except when indicated otherwise)**

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On December 30, 2014, Saturn received additional capital contribution in the amount of R\$ 161,067. The capital contributed by the Company comprises properties measured at book value.

Such corporate restructuring produced no impact on the consolidated financial statements and combined, except for the reversal of deferred taxes fair value on assets of RCSA, in the amount of R\$ 24,502, the fact Saturn be taxed on deemed income. See Note 16.a.

#### **vi) Corporate restructuring regarding incorporation in reverse Curupay by TEAS**

- Capital reduction in Raízen Tarumã Ltda

On October 29, 2014 a reduction in the capital in the subsidiary of Raízen Tarumã was approved by RESA, through the cancellation of 419,595,977 shares amounting to R\$ 419,596. RESA was reimbursed the amounting of R\$ 400,000 on October 29, 2014, and received 23,999,999 shares issued by Curupay Agroenergia Ltda. ("Curupay") amounting to R\$ 19,596, corresponding to a 100% equity interest in the share capital of that company.

- Capital increase by RESA in Curupay

On October 30, 2014 RESA subscribed and paid in 48,554,683 shares in Curupay amounting to R\$ 48,554, as follows: i) transfer all of the 26,318,238 shares issued by TEAS owned by RESA, corresponding to an equity interest of 66.67% of the share capital, amounting to R\$ 40,288, totaling an interest of 100% in the capital of TEAS, ii) Goodwill arising from the acquisition of this invested amounting to R\$ 7,301 received as part of the net assets contributed to the formation of Raízen Group, and, iii) Credit related parties amounting to R\$ 965.

- Reversal merger of Curupay by TEAS

Additionally, on October 30, 2014, RESA approved the reverse incorporation of Curupay by TEAS. As a result of this merger and considering that Curupay holds 100% of the share capital of TEAS, there was an increase in the Company capital through the issuance of 420,432 new shares amounting to R\$ 421, net balance of R\$ 60,429 related to the investment of Curupay in TEAS.

As a result of this operation and in accordance to the provisions introduced by IAS 28, RESA set up a special reserve for reflex goodwill (Note 21), in R\$ 2,004, equivalent to the tax benefit of 34% which will held the amortization of goodwill generated through the acquisition of TEAS shares, fully written off at the time of incorporation, recorded in this company as a deferred tax asset.

Such corporate restructuring produced no impact on the consolidated financial statements and combined.

## **Raízen Group**

### **Management's Notes to the consolidated and combined financial information as of March 31, 2015** **(In thousands of Reais, except when indicated otherwise)**

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#### **30. Subsequent events**

- **Fire in the Terminal de Líquidos de Santos**

On April 2, 2015, a fire broke out at the Santos Liquids Terminal, which reached installations belonging to Terminal de Exportação de Álcool de Santos Ltda. – TEAS and companies operated by Ultracargo - Operações Logísticas e Participações Ltda. TEAS is a Raízen Group company.

The Raízen Group determined a value of investments in assets in the amount of R\$ 59 million, through TEAS's accounting books as at March 31, 2015. The causes of the fire, and the extent of the fire damage, are being determined by the Group.

- **Issuance of Agricultural Receivable Certificates (CRAs)**

According to the notice about the Closing of Public Offering of 1st Series of the 14th Issue of Gaia Agro Securitizadora, published on June 18, 2015, RESA concluded the issue of CRAs for funding the amount of R\$ 675 million maturing in June 2021, considering the full exercise of Greenshoe (20%), pursuant to Article 14, paragraph 2 of CVM Instruction 400 and full exercise of Hot Issue (15%), in accordance with Article 24 of CVM Instruction No. 400. The financial settlement occurred on June 16, 2015.

\* \* \*

**Raizen Fuels Finance S.A.**  
**Société Anonyme**

**Annual Accounts**

**For the year from April 1, 2015 to March 31, 2016**

**Registered office:**  
40, avenue Monterey  
L-2163 Luxembourg  
R.C.S. Luxembourg B 184.033  
Share capital: USD 45.000,00

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**CO-VENTURES S.A.**  
**Société Anonyme**

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To the shareholder of the company  
Raizen Fuels Finance S.A.  
Société Anonyme  
40, Avenue Monterey  
L-2163 Luxembourg

R.C.S. Luxembourg no B 184 033

Report of the Auditor

Dear Sirs,

According to the legal and statutory provisions, we have the honour to report on the execution, for the year ended March 31st, 2016 of the assignment as statutory auditor entrusted to us by the ordinary general meeting of January 20, 2014.

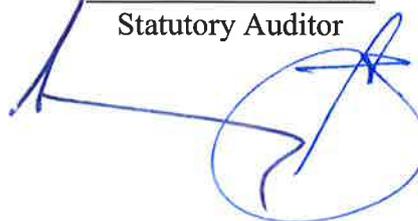
We have carried out our supervisory mandate on the basis of article 62 of the law August 10th, 1915, as amended and we have ascertained that the annual accounts as at March 31st, 2016, reflect the accounting books and vouchers which have been submitted to us.

The total balance for the exercise as of March 31st, 2016 amounts to 550.473.021,16.- USD. As the income amounts to 21.349.678,16.-USD and the expenses amount to 19.404.860,74.- USD, the Profit and Loss account shows a net profit of 1.944.817,42.- USD.

We have no observations to formulate on the annual accounts and propose to approve them and give discharge to the board of directors.

Luxembourg, 13 June, 2016

CO-VENTURES S.A.  
Statutory Auditor



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40, Avenue Monterey  
L-2163 LUXEMBOURG

R.C.S. Luxembourg B 48 838  
VAT Luxembourg 1994 22 11468

**Annual Accounts Helpdesk :**

**Tel. :** (+352) 247 88 494  
**Email :** centralebilans@statec.etat.lu

RCSL Nr.: B184033

Matricule : 2014 2200 903

eCDF entry date :

**BALANCE SHEET**

**Financial year from** <sup>01</sup> 01/04/2015 **to** <sup>02</sup> 31/03/2016 **(in** <sup>03</sup> USD **)**

**Ralzen Fuels Finance S.A.**  
**40, avenue Monterey**  
**L-2163 Luxembourg**

**ASSETS**

	Reference(s)	Current year	Previous year
<b>A. Subscribed capital unpaid</b>	1101	101	102
<b>I. Subscribed capital not called</b>	1103	103	104
<b>II. Subscribed capital called but unpaid</b>	1105	105	106
<b>B. Formation expenses</b>	1107	107	108
<b>C. Fixed assets</b>	1109	109 <b>539.088.594,05</b>	110 <b>463.854.177,09</b>
<b>I. Intangible fixed assets</b>	1111	111	112
<b>1. Research and development costs</b>	1113	113	114
<b>2. Concessions, patents, licences, trade marks and similar rights and assets, if they were</b>	1115	115	116
a) acquired for valuable consideration and need not be shown under C.I.3	1117	117	118
b) created by the undertaking itself	1119	119	120
<b>3. Goodwill, to the extent that it was acquired for valuable consideration</b>	1121	121	122
<b>4. Payments on account and intangible fixed assets under development</b>	1123	123	124
<b>II. Tangible fixed assets</b>	1125	125	126
<b>1. Land and buildings</b>	1127	127	128
<b>2. Plant and machinery</b>	1129	129	130

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B184033

Matricule: 2014 2200 903

	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131	131	132
4. Payments on account and tangible fixed assets under development	1133	133	134
<b>III. Financial fixed assets</b>	1135	<b>3</b>	<b>335</b>
1. Shares in affiliated undertakings	1137	539.088.594,05	463.854.177,09
2. Amounts owed by affiliated undertakings	1139	3.1	3.1
3. Shares in undertakings with which the undertaking is linked by virtue of participating interests	1141	139	140
4. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1143	539.088.594,05	463.854.177,09
5. Securities and other financial instruments held as fixed assets	1145	141	142
6. Loans and claims held as fixed assets	1147	143	144
7. Own shares or own corporate units	1149	145	146
<b>D. Current assets</b>	1151	<b>5.072.927,58</b>	<b>3.958.174,19</b>
<b>I. Inventories</b>	1153	151	152
1. Raw materials and consumables	1155	153	154
2. Work and contracts in progress	1157	155	156
3. Finished goods and merchandise	1159	157	158
4. Payments on account	1161	159	160
<b>II. Debtors</b>	1163	<b>4</b>	<b>3.093.150,86</b>
1. Trade receivables	1165	163	164
a) becoming due and payable within one year	1167	165	166
b) becoming due and payable after more than one year	1169	167	168
2. Amounts owed by affiliated undertakings	1171	4.1	4.1
a) becoming due and payable within one year	1173	3.062.341,48	2.627.874,76
b) becoming due and payable after more than one year	1175	3.062.341,48	2.627.874,76
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177	171	172
a) becoming due and payable within one year	1179	173	174
b) becoming due and payable after more than one year	1181	175	176

The notes in the annex form an integral part of the annual accounts



RCSL Nr.: B184033

Matricule : 2014 2200 903

**LIABILITIES**

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>			
I. Subscribed capital	1301 <u>7,8,9</u>	301 <u>-1.691.865,29</u>	302 <u>-3.636.682,71</u>
II. Share premium and similar premiums	1303	303 <u>45.000,00</u>	304 <u>45.000,00</u>
III. Revaluation reserves	1305	305	
IV. Reserves	1307	307	
1. Legal reserve	1309	309 <u>28.169.159,17</u>	310 <u>28.169.159,17</u>
2. Reserve for own shares or own corporate units	1311		
3. Reserves provided for by the articles of association	1313		314
4. Other reserves	1315		316
V. Profit or loss brought forward	1317	317 <u>28.169.159,17</u>	318 <u>28.169.159,17</u>
VI. Profit or loss for the financial year	1319	319 <u>-31.850.841,88</u>	320 <u>-24.327.057,51</u>
VII. Interim dividends	1321	321 <u>1.944.817,42</u>	322 <u>-7.523.784,37</u>
VIII. Capital investment subsidies	1323	323	
IX. Temporarily not taxable capital gains	1325	325	
	1327	327	
<b>B. Subordinated debts</b>	1329	329	330
1. Convertible loans	1331	408	414
a) becoming due and payable within one year	1415	418	416
b) becoming due and payable after more than one year	1417	417	418
2. Non convertible loans	1419	419	420
a) becoming due and payable within one year	1421	421	421
b) becoming due and payable after more than one year	1423	423	422
<b>C. Provisions</b>	1331 <u>10</u>	331 <u>47.854,69</u>	332 <u>25.627,74</u>
1. Provisions for pensions and similar obligations	1333	333	334
2. Provisions for taxation	1335	335 <u>31.331,80</u>	336 <u>3.884,10</u>
3. Other provisions	1337	337 <u>16.522,89</u>	338 <u>21.743,64</u>
<b>D. Non subordinated debts</b>	1339 <u>11</u>	339 <u>541.945.497,65</u>	340 <u>466.276.692,90</u>
1. Debenture loans	1341	341	341
a) Convertible loans	1343	343	344
i) becoming due and payable within one year	1345	345	346
ii) becoming due and payable after more than one year	1347	347	348

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B184033

Matricule : 2014 2200 903

	Reference(s)	Current year	Previous year
b) Non convertible loans	1349	349	348
i) becoming due and payable within one year	1351	351	352
ii) becoming due and payable after more than one year	1353	353	354
2. Amounts owed to credit institutions	1355	541.915.538,03	466.276.692,90
a) becoming due and payable within one year	1357	2.826.943,98	2.422.515,81
b) becoming due and payable after more than one year	1359	539.088.594,05	463.854.177,09
3. Payments received on account of orders as far as they are not deducted distinctly from inventories	1361	361	362
a) becoming due and payable within one year	1363	363	364
b) becoming due and payable after more than one year	1365	365	366
4. Trade creditors	1367	29.959,62	0,00
a) becoming due and payable within one year	1369	29.959,62	0,00
b) becoming due and payable after more than one year	1371	371	372
5. Bills of exchange payable	1373	373	374
a) becoming due and payable within one year	1375	375	376
b) becoming due and payable after more than one year	1377	377	378
6. Amounts owed to affiliated undertakings	1379	379	380
a) becoming due and payable within one year	1381	381	382
b) becoming due and payable after more than one year	1383	383	384
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	385	386
a) becoming due and payable within one year	1387	387	388
b) becoming due and payable after more than one year	1389	389	390
8. Tax and social security debts	1391	391	392
a) Tax debts	1393	393	394
b) Social security debts	1395	395	396

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B184033

Matricule : 2014 2200 903

	Reference(s)	Current year	Previous year
9. Other creditors			
a) becoming due and payable within one year	1397	399	399
b) becoming due and payable after more than one year	1401	401	401
E. Deferred income	1403	10.171.534,11	9.755.608,00
<b>TOTAL (LIABILITIES)</b>		<b>550.473.021,16</b>	<b>472.421.245,93</b>

The notes in the annex form an integral part of the annual accounts

**Annual Accounts Helpdesk :**

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Email : centralebilans@statec.etat.lu

RCSL Nr.: B184033

Matricule : 2014 2200 903

eCDF entry date :

**PROFIT AND LOSS ACCOUNT**Financial year from <sup>01</sup> 01/04/2015 to <sup>02</sup> 31/03/2016 (in <sup>03</sup> USD )

Raizen Fuels Finance S.A.

40, avenue Monterey  
L-2163 Luxembourg**A. CHARGES**

	Reference(s)	Current year	Previous year
<b>1. Use of merchandise, raw materials and consumable materials</b>	1601 _____	601 _____	602 _____
<b>2. Other external charges</b>	1603 _____ <b>13</b>	603 _____ <b>152.872,14</b>	604 _____ <b>139.686,08</b>
<b>3. Staff costs</b>	1605 _____	605 _____	606 _____
a) Salaries and wages	1607 _____	607 _____	608 _____
b) Social security on salaries and wages	1609 _____	609 _____	610 _____
c) Supplementary pension costs	1611 _____	611 _____	612 _____
d) Other social costs	1613 _____	613 _____	614 _____
<b>4. Value adjustments</b>	1615 _____	615 _____	616 _____
a) on formation expenses and on tangible and intangible fixed assets	1617 _____	617 _____	618 _____
b) on current assets	1619 _____	619 _____	620 _____
<b>5. Other operating charges</b>	1621 _____	621 _____	622 _____
<b>6. Value adjustments and fair value adjustments on financial fixed assets</b>	1623 _____	623 _____	624 _____
<b>7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities</b>	1625 _____	625 _____	626 _____
<b>8. Interest and other financial charges</b>	1627 _____ <b>14</b>	627 _____ <b>19.224.712,43</b>	628 _____ <b>44.295.947,27</b>
a) concerning affiliated undertakings	1629 _____	629 _____	630 _____
b) other interest and similar financial charges	1631 _____	631 _____ <b>19.224.712,43</b>	632 _____ <b>44.295.947,27</b>

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B184033

Matricule: 2014 2200 903

	Reference(s)	Current year	Previous year
<b>9. Share of losses of undertakings accounted for under the equity method</b>	1649 _____	649 _____	650 _____
<b>10. Extraordinary charges</b>	1633 _____	633 <u>10,66</u>	634 <u>128,49</u>
<b>11. Income tax</b>	1635 _____ <u>15</u>	635 <u>20.240,42</u>	636 <u>3.884,10</u>
<b>12. Other taxes not included in the previous caption</b>	1637 _____ <u>16</u>	637 <u>7.025,09</u>	638 <u>0,00</u>
<b>13. Profit for the financial year</b>	1639 _____	639 <u>1.944.817,42</u>	640 <u>0,00</u>
<b>TOTAL CHARGES</b>		641 <u>21.349.678,16</u>	642 <u>44.439.645,94</u>

The notes in the annex form an integral part of the annual accounts

**Note 1. GENERAL INFORMATION**

Raizen Fuels Finance S.A., (the “Company”) was incorporated on July 7, 2009 as a limited liability company organized under the laws of the Cayman Islands under the name of CCL Finance Limited., having its registered office at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman, Cayman Islands and registered with the Commercial Register of the Cayman Islands under number 228008. By special resolution dated July 4, 2012, the Company changed its name from CCL Finance Limited to Raizen Fuels Finance Limited. By resolution validly adopted by the Board of Directors of the Company in Cayman Islands, on January 20, 2014, acting in accordance with the articles of association of the Company, the Company duly resolved to transfer its registered office, principal establishment and central administration from PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman, Cayman Islands, to the city of Luxembourg, Grand Duchy of Luxembourg, as from the date hereof without the Company being dissolved but on the contrary with full corporate and legal continuance. All formalities required under the laws of Cayman Islands to give effect to that resolution have been duly performed.

The Company is a public company limited by shares (société anonyme) governed by the laws of the Grand Duchy of Luxembourg, in particular the law of August 10, 1915, on commercial companies, as amended (the Law), and these articles of incorporation (the Articles).

The Company’s object is the acquisition of participations, in Luxembourg or abroad, in any company or enterprise in any form whatsoever, and the management of those participations. The Company may in particular acquire, by subscription, purchase and exchange or in any other manner, any stock, shares and other participation securities, bonds, debentures, certificates of deposit and other debt instruments and, more generally, any securities and financial instruments issued by any public or private entity. It may participate in the creation, development, management and control of any company or enterprise. Further, it may invest in the acquisition and management of a portfolio of patents or other intellectual property rights of any nature or origin.

The Company may borrow in any form. It may issue notes, bonds and any kind of debt and equity securities. It may lend funds, including, without limitation, the proceeds of any borrowings, to its subsidiaries, affiliated companies and any other companies. It may also give guarantees and pledge, transfer, encumber or otherwise create and grant security over some or all of its assets to guarantee its own obligations and those of any other company, and, generally, for its own benefit and that of any other company or person. For the avoidance of doubt, the Company may not carry out any regulated financial sector activities without having obtained the requisite authorisation.

The Company may use any techniques, legal means and instruments to manage its investments efficiently and protect itself against credit risks, currency exchange exposure, interest rate risks and other risks.

The Company may carry out any commercial, financial or industrial operation and any transaction with respect to real estate or movable property, which directly or indirectly, favours or relates to its corporate object.

The registered address of the Company is established at 40 avenue Monterey, L-2163 Luxembourg.

The Company’s financial year starts on April 1 and ends on March 31 of each year except for the first financial period starting on the date of transfer to Luxembourg and ending on March 31, 2015.

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the Law of December 19, 2002 as subsequently amended, determined and applied by the Board of Directors of the Company.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumption changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

**2.2 Foreign currency translation**

The books of accounts are maintained in United States Dollars (USD). Transactions expressed in currencies other than USD are translated into USD at exchange rate effective at the time of the transaction.

The realized and unrealised exchange losses and gains related to the back-to-back financing activity expressed in other currencies other than USD are recorded in the profit and loss account.

Other assets and liabilities apart from the abovementioned activity, are translated separately respectively at the lower or at the higher of the value converted at the historic exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The realized and unrealised exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realisation.

**2.3 Financial fixed assets**

Shares in affiliated undertakings held as fixed assets are valued at purchase price including the expenses incidental thereto.

In case of a durable depreciation in value according to the opinion of the Board of Directors, value adjustments are made in respect of financial fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT. AND END)**

**2.4 Debtors**

Debtors are valued at their nominal value. They are subject to value adjustments when their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

**2.5 Cash at bank, cash in postal cheque accounts, cheques and cash in hand**

The Company considers all cash on hand, demand deposits with financial institutions and short term, highly liquid investments with original maturities of three months or less to be cash equivalents.

**2.6 Deferred charges and deferred income**

These items include charges and/or income incurred during the financial year but relating to subsequent financial years.

**2.7 Debts**

Debts are recorded at their reimbursement value. When the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt based on a linear method.

**2.8 Provisions**

Provisions are intended to cover losses and debts the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

**NOTE 3. FINANCIAL FIXED ASSETS**

**NOTE 3.1 AMOUNTS OWED BY AFFILIATED UNDERTAKINGS**

As of March 31, 2016, this caption is composed as follows :

	<b>31.03.2016</b> <b>(USD)</b>	<b>31.03.2015</b> <b>(USD)</b>
Raizen Energia S.A. – EPP Loan 1 principal amount (USD 350.000.000,00)	-	350.000.000,00
Raizen Energia S.A. – EPP Loan 2 principal amount (EUR 66.000.000,00)	-	70.587.166,30
Raizen Energia S.A. – EPP Loan 3 principal amount (EUR 40.000.000,00)	-	43.267.010.79
Raizen Combustiveis S.A. – EPP Loan 1' principal amount (USD 350.000.000,00)	350.000.000,00	-
Raizen Combustiveis S.A. – EPP Loan 2' principal amount (EUR 66.000.000,00)	75.179.802,00	-
Raizen Combustiveis S.A. – EPP Loan 3' principal amount (EUR 40.000.000,00)	45.563.516,82	-
Raizen Combustiveis S.A. – EPP Loan 4 principal amount (EUR 60.000.000,00)	68.345.275,23	-
	<u><b>539.088.594,05</b></u>	<u><b>463.854.177,09</b></u>

**NOTE 3. FINANCIAL FIXED ASSETS (CONT.)**

**NOTE 3.1 AMOUNTS OWED BY AFFILIATED UNDERTAKINGS (CONT.)**

At the date of the transfer to Luxembourg, the Company had granted to Raizen Energia S.A. (a Group company incorporated under the law of Brazil), a loan for a total amount of USD 350.000.000,00 bearing a fixed interest of 9,50%. This loan was financed through Senior Notes (bearing an interest of 9,50%) issued on 11 August, 2009 which were intended to be reimbursed on 15 August 2014. The management of the Company decided on April 8 2014 to repay in advance such Senior Notes following to the repayment of the previous loan receivable which was in place with Raizen Energia S.A.

In order to continue to finance the export activity to be performed by Raizen Energia S.A., the Company entered into a prepaid export agreements named "Contrato de pagamento antecipado de exportação" (the Loan Agreements). The prepayment of the exports has the sole purpose to finance the fulfilment of the obligations arising from export agreements signed with the importers by Raizen Energia S.A.

The Company has granted to Raizen Energia S.A., as pre-payment on the export sales, an aggregate amount of USD 350.000.000,00 (Loan 1), detailed as follows:

- USD 75.967.297,09 (on April 4, 2014)  
Repayment date shall be 29 March, 2018 for USD 37.983.648,55 and 29 March, 2019 for the remaining amount of USD 37.983.648,54.
- USD 92.040.165,00 (on May 15, 2014)  
Repayment date shall be 29 March, 2018 for USD 46.020.082,50 and 29 March, 2019 for the remaining amount of USD 46.020.082,50.
- USD 91.375.867,52 (on June 16, 2014)  
Repayment date shall be 29 March, 2018 for USD 45.687.933,76 and 29 March, 2019 for the remaining amount of USD 45.687.933,76.
- USD 90.616.670,39 (on July 16, 2014)  
Repayment date shall be 29 March, 2018 for USD 45.308.335,20 and 29 March, 2019 for the remaining amount of USD 45.308.335,19.

The loans shall bear interest at a Libor 3M + 1,55% a.a on the basis of a 360-day year. The interest payment shall be executed each quarter.

On October 15, 2014, the Company entered into an additional "Contrato de pagamento antecipado de exportação" and has granted to Raizen Energia S.A. an amount of EUR 66.000.000,00 (Loan 2) which shall bear a fixed interest of 3,085% a.a., on the basis of a 360-day year. The maturity date shall be on 15 October, 2021.

On January 20, 2015, the Company entered into an additional "Contrato de pagamento antecipado de exportação" and has granted to Raizen Energia S.A. an amount of EUR 40.000.000,00 (Loan 3) which shall bear a floating interest at a Euribor 3M + 2,21% a.a. on the basis of a 360-day year. The maturity date shall be on January 20, 2022.

On August 31, 2015, the Company entered into an assignment agreement for an amount of USD 350.000.000,00 (Loan 1') with Raizen Combustiveis S.A., a group company incorporated under the laws of Brazil. From that date, the company transferred its receivable against Raizen Energia S.A. to Raizen Combustiveis S.A. and its related accrued interest. The loan shall remain the same terms and conditions and shall bear interest at a Libor 3M + 1,55% on the basis of a 360-day year. The maturity date shall be on March 29, 2019.

**NOTE 3. FINANCIAL FIXED ASSETS (CONT.)**

**NOTE 3.1 AMOUNTS OWED BY AFFILIATED UNDERTAKINGS (CONT.)**

On August 31, 2015, the Company entered into an assignment agreement for an amount of EUR 66.000.000,00 (Loan 2') with Raizen Combustiveis S.A., a group company incorporated under the laws of Brazil. From that date, the company transferred its receivable against Raizen Energia S.A. to Raizen Combustiveis S.A. and its related accrued interest. The loan shall remain the same terms and conditions and which shall bear a fixed interest of 3,085% a.a., on the basis of a 360-day year. The maturity date shall be on October 15, 2021.

On August 31, 2015, the Company entered into an assignment agreement for an amount of EUR 40.000.000,00 (Loan 3') with Raizen Combustiveis S.A., a group company incorporated under the laws of Brazil. From that date, the company transferred its receivable against Raizen Energia S.A. to Raizen Combustiveis S.A. and its related accrued interest. The loan shall remain the same terms and conditions and which shall bear a floating interest at a Euribor 3M + 2,21% a.a. on the basis of a 360-day year. The maturity date shall be on January 20, 2022.

On September 21, 2015, the Company entered into an additional "Contrato de pagamento antecipado de exportação" and has granted to Raizen Combustiveis S.A. an amount of EUR 60.000.000,00 (Loan 4) which shall bear a floating interest at a Euribor 3M + 2,50% a.a. on the basis of a 360-day year. The maturity date shall be on September 21, 2022.

**NOTE 4. DEBTORS**

**Note 4.1 AMOUNTS OWED BY AFFILIATED UNDERTAKINGS**

**a) Becoming due and payable within one year**

	<b>31.03.2016</b>	<b>31.03.2015</b>
	<b>(USD)</b>	<b>(USD)</b>
Accrued interest on loan 1 granted to Raizen Energia	-	1.435.877,01
Accrued interest on loan 2 granted to Raizen Energia	-	1.013.838,95
Accrued interest on loan 3 granted to Raizen Energia	-	178.158,80
Accrued interest on loan 1' granted to Raizen Combustiveis	1.751.150,14	-
Accrued interest on loan 2' granted to Raizen Combustiveis	1.082.338,56	-
Accrued interest on loan 3' granted to Raizen Combustiveis	185.833,33	-
Accrued interest on loan 4 granted to Raizen Combustiveis	43.019,45	-
	<b><u>3.062.341,48</u></b>	<b><u>2.627.874,76</u></b>

**Note 4.2 OTHER RECEIVABLES**

As of March 31, 2016, this caption is composed as follows:

**a) Becoming due and payable within one year**

	<b>31.03.2016</b>	<b>31.03.2015</b>
	<b>(USD)</b>	<b>(USD)</b>
Advance Corporate Income Tax 2014	3.569,84	3.569,84
Advance Corporate Income Tax 2015	2.681,95	900,24
VAT receivable	24.557,59	9.794,24
Supplier – advance paid	-	1.499,45
	<b><u>30.809,38</u></b>	<b><u>15.763,77</u></b>

**NOTE 5. CASH AT BANK, CASH IN POSTAL CHEQUE ACCOUNTS, CHEQUES AND CASH IN HAND**

As of March 31, 2016, this caption is composed as follows:

	31.03.2016 (USD)	31.03.2015 (USD)
JP Morgan - Current account	0,68	1,08
JP Morgan - Deposit account	1.979.776,00	1.314.534,58
City Bank London – Current account	0,04	-
	<u>1.979.776,72</u>	<u>1.314.535,66</u>

**NOTE 6. PREPAYMENTS – DEFERRED CHARGES**

This item includes financing costs occurred during the financial year for loans granted to the Company (see note 10) but allocable to subsequent financial years on the basis of the maturity dates.

**NOTE 7. SUBSCRIBED CAPITAL**

As from the effective date of the transfer to Luxembourg, the share capital is set at forty-five thousand United States dollars (USD 45,000.-), represented by forty-five thousand (45,000) shares in registered form, having a nominal value of one United States dollar (USD 1.-) each.

**NOTE 8. LEGAL RESERVE**

Under Luxembourg law, the Company is required to transfer to a legal reserve a minimum of 5 % of its net profits each year until this reserve equals 10 % of the issued share capital. This reserve is not available for distribution.

**NOTE 9. MOVEMENTS FOR THE YEAR ON THE CAPITAL AND THE RESERVES**

The movements for the year are as follows:

	Subscribed share capital	Share premium and other reserves	Profit / (Loss) brought forward	Profit/ (Loss) For the year	Total
<b>Balance as at March 31, 2015</b>	<b>45.000,00</b>	<b>28.169.159,17</b>	<b>(24.327.057,51)</b>	<b>(7.523.784,37)</b>	<b>(3.636.682,71)</b>
Increase of capital	-	-	-	-	-
Share premium and similar premium	-	-	-	-	-
Allocation of the result	-	-	(7.523.784,37)	7.523.784,37	-
Result for the year	-	-	-	1.944.817,42	1.944.817,42
<b>Balance as at March 31, 2016</b>	<b>45.000,00</b>	<b>28.169.159,17</b>	<b>(31.850.841,88)</b>	<b>1.944.817,42</b>	<b>(1.691.865,29)</b>

**NOTE 10. PROVISIONS**

As of March 31, 2016, this caption is composed as follows:

	<b>31.03.2016</b> <b>(USD)</b>	<b>31.03.2015</b> <b>(USD)</b>
Corporate Income Tax 2014 - Accrual	17.006,12	3.884,10
Corporate Income Tax 2015 – Accrual	3.653,30	-
Municipal Business Tax 2014 – Accrual	3.647,29	-
Net Wealth Tax 2015 – Accrual	3.540,31	-
Net Wealth Tax 2016 – Accrual	3.484,78	-
Accounting fees – Accrual	15.597,60	16.196,49
Audit fees – Accrual	925,29	925,29
Tax advisor – Accrual	-	4.621,86
	<u>47.854,69</u>	<u>25.627,74</u>

**NOTE 11. NON SUBORDINATED DEBTS**

**Note 11.1 AMOUNT OWED TO CREDIT INSTITUTIONS**

As of March 31, 2016, this caption is composed as follows:

**a) Becoming due and payable within one year**

	<b>31.03.2016</b> <b>(USD)</b>	<b>31.03.2015</b> <b>(USD)</b>
Syndicated Facility Agreement– Accrued interest	1.630.108,47	1.316.293,61
Assignable loan 1 – Accrued interest	990.650,47	941.903,19
Assignable loan 2 – Accrued interest	166.962,44	164.319,01
Assignable loan 3 – Accrued interest	39.222,60	0,00
	<u>2.826.943,98</u>	<u>2.422.515,81</u>

**b) Becoming due and payable after more than one year**

	<b>31.03.2016</b> <b>(USD)</b>	<b>31.03.2016</b> <b>(USD)</b>
Syndicated Facility Agreement – Principal amount	350.000.000,00	350.000.000,00
Assignable loan 1 – Principal amount	75.179.802,00	70.587.166,30
Assignable loan 2 – Principal amount	45.563.516,82	43.267.010,79
Assignable loan 3 – Principal amount	68.345.275,23	-
	<u>539.088.594,05</u>	<u>463.854.177,09</u>

On March 31, 2014, the Company entered into a Term Loan Facility agreement with several Lenders and Credit Agricole Corporate and Investment Bank as Administrative Agent for an aggregate principal amount up to USD 350.000.000,00.

**NOTE 11. NON SUBORDINATED DEBTS (CONT. AND END)**

**Note 11.1 AMOUNT OWED TO CREDIT INSTITUTIONS (CONT. AND END)**

**b) Becoming due and payable after more than one year (cont. and end)**

The loan shall bear interest at a Libor 3M + 1,40% on the basis of a 360-day year. The interest payment shall be executed each quarter. The scheduled Maturity Date shall be March 31, 2019.

On October 15, 2014, the Company entered into an Assignable Loan agreement with several Lenders and Citibank N.A. London Branch as Paying Agent and Registrar for an aggregate amount in principal of EUR 66.000.000,00.

The loan shall bear a fixed interest of 2,875% calculated on the basis of the actual number of days elapsed, divided by the number of days (365 or 366) in the respective interest year. The interest payment shall be paid annually in arrears on October 15, of each year. The first interest payment being due shall on 15 October 2015. The Maturity Date shall be March 15, 2021.

On January 20, 2015, the Company entered into an additional Assignable Loan agreement with Bank of China Limited, Frankfurt Branch as a Lender and Citibank N.A. London Branch as Paying Agent, Calculation Agent and Registrar for an amount in principal of EUR 40.000.000,00.

The loan shall bear a floating interest at a Euribor 3M + 2,00% a.a. on the basis of a 360-day year. The maturity date shall be on January 20, 2022. The interest payment shall be paid quarterly on January 20, April 20, July 20 and October 20 of each year. The first interest payment being due shall on April 20, 2015.

On January 20, 2015, the Company entered into an additional Assignable Loan agreement with State Bank of India, as a Lender and Citibank N.A. London Branch as Paying Agent, Calculation Agent and Registrar for an amount in principal of EUR 60.000.000,00.

The loan shall bear a floating interest at a Euribor 3M + 2,30% a.a. on the basis of a 360-day year. The maturity date shall be on September 21, 2022. The interest payment shall be paid quarterly on March 21, June 21, September 21 and December 21 of each year. The first interest payment being due shall on December 21 2015.

**NOTE 12. DEFERRED INCOME**

This item includes recovery financing costs incurred during the financial year by the Company and commissions payable by Raizen Combustiveis S.A. to the Company following to several loans granted (see note 3) but related to subsequent financial years on the basis of the maturity dates.

**Notes to the annual accounts  
As at March 31, 2016**

**RAIZEN FUELS FINANCE S.A.**

**NOTE 13. OTHER EXTERNAL CHARGES**

This caption is composed as follows:

	<b>2016 (USD)</b>	<b>2015 (USD)</b>
Bank fees and costs	35.528,80	2.127,37
Legal fees	5.701,33	24.014,62
Accounting fees	69.778,20	67.272,76
Chamber of Commerce – Contribution fees	388,99	475,58
Audit fees	984,64	5.510,44
Tax advisory fees	39.755,64	40.008,91
Other fees	734,54	276,40
	<u>152.872,14</u>	<u>139.686,08</u>

**NOTE 14. INTEREST AND OTHER FINANCIAL CHARGES**

Interest and other financial charges are composed of :

**a) Other interest and similar financial charges**

	<b>2016 (USD)</b>	<b>2015 (USD)</b>
Interest and costs on loans received	11.207.537,72	28.700.689,81
Unrealized foreign exchange loss	8.017.174,71	15.595.257,46
	<u>19.224.712,43</u>	<u>44.295.947,27</u>

**NOTE 15. INCOME TAX**

This caption is composed as follows:

	<b>2016 (USD)</b>	<b>2015 (USD)</b>
Corporate Income Tax – previous year	12.939,83	3.884,10
Corporate Income Tax – current year	3.653,30	-
Municipal Business Tax – previous year	3.647,29	-
	<u>20.240,42</u>	<u>3.884,10</u>

**NOTE 16. OTHER TAXES NOT INCLUDED IN THE PREVIOUS CAPTION**

This caption is composed as follows:

	<b>2016 (USD)</b>	<b>2015 (USD)</b>
Net Wealth Tax - previous year	3.540,31	-
Net Wealth Tax – current year	3.484,78	-
	<u>7.025,09</u>	<u>-</u>

**NOTE 17. INCOME FROM FINANCIAL FIXED ASSETS**

**a) Derived from affiliated undertakings**

This caption is composed as follows:

	<b>2016 (USD)</b>	<b>2015 (USD)</b>
Interest from loans granted	10.949.616,47	19.061.991,40
Commissions received for loans granted	2.435.762,48	1.990.377,66
	<u>13.385.378,95</u>	<u>21.052.369,06</u>

**NOTE 18. INCOME FROM FINANCIAL CURRENT ASSETS**

**b) Other interest and similar financial income**

	<b>2016 (USD)</b>	<b>2015 (USD)</b>
Interest from bank accounts	3.224,87	67.958,95
	<u>3.224,87</u>	<u>67.958,95</u>

**NOTE 19. OTHER INTEREST AND OTHER FINANCIAL INCOME**

	<b>2016 (USD)</b>	<b>2015 (USD)</b>
Realized foreign exchange gains	33.964,34	6.187,37
Unrealized foreign exchange gains	7.927.110,00	15.583.096,19
	<u>7.961.074,34</u>	<u>15.589.283,56</u>

**NOTE 20. TAXATION**

The Company is an ordinary corporate taxpayer under Luxembourg law. Corporations that are resident Luxembourg taxpayers are taxed on their worldwide net income, determined on the basis of gross income less costs incurred. Certain items of income and capital gains are excluded from the calculation of income received for tax purposes, including income and capital gains from certain investments that meet certain holding periods and size requirements.

**NOTE 21. SUBSEQUENT EVENTS**

During the next accounting year, the Company should proceed to a merger with another group company named Raizen Luxembourg S.A. (a company incorporated under the law of the Grand Duchy of Luxembourg). The merger process is not yet finalized.

# **Raizen Fuels Finance S.A.**

## **Société Anonyme**

Annual Accounts

For the period from January 20, 2014 to March 31, 2015

Registered office:  
40, avenue Monterey  
L-2163 Luxembourg  
R.C.S. Luxembourg B 184.033  
Share capital: USD 45.000,00

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**CO-VENTURES S.A.**  
**Société Anonyme**

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To the shareholder of the company  
Raizen Fuels Finance S.A.  
Société Anonyme  
40, Avenue Monterey  
L-2163 Luxembourg

R.C.S. Luxembourg no B 184 033

Report of the Auditor

Dear Sirs,

According to the legal and statutory provisions, we have the honour to report on the execution, for the year ended March 31st, 2015 of the assignment as statutory auditor entrusted to us by the ordinary general meeting of January 20, 2014.

We have carried out our supervisory mandate on the basis of article 62 of the law August 10th, 1915, as amended and we have ascertained that the annual accounts as at March 31st, 2015, reflect the accounting books and vouchers which have been submitted to us.

The total balance for the exercise as of March 31st, 2015 amounts to 472.421245,93.- USD. As the income amounts to 36.915.861,57.-USD and the expenses amount to 44.439.645,94.- USD, the Profit and Loss account shows a net loss of 7.523.784,37.- USD.

We have no observations to formulate on the annual accounts and propose to approve them and give discharge to the board of directors.

We would like to point out that the losses realised by the company exceed more than three-quarters of the share capital, and that according to the article 100 of commercial company law of 10<sup>th</sup> August 1915 you must deliberate and vote upon a possible dissolution of the company.

Luxembourg, September 29, 2015

  
CO-VENTURES S.A.  
Statutory Auditor

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40, Avenue Monterey  
L-2163 LUXEMBOURG

R.C.S. Luxembourg B 48 838  
VAT Luxembourg 1994 22 11468

## BALANCE SHEET

Financial year from <sup>01</sup> 20/01/2014 to <sup>02</sup> 31/03/2015 (in <sup>03</sup> USD )

Raizen Fuels Finance S.A.  
40, avenue Monterey  
L-2163 Luxembourg

## ASSETS

	Reference(s)	Current year	Previous year
<b>A. Subscribed capital unpaid</b>	1101	101	102
I. Subscribed capital not called	1103	103	104
II. Subscribed capital called but unpaid	1105	105	106
<b>B. Formation expenses</b>	1107	107	108
<b>C. Fixed assets</b>	1109	109	110
I. Intangible fixed assets	1111		112
1. Research and development costs	1113		114
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115		116
a) acquired for valuable consideration and need not be shown under C.I.3	1117		118
b) created by the undertaking itself	1119		120
3. Goodwill, to the extent that it was acquired for valuable consideration	1121		122
4. Payments on account and intangible fixed assets under development	1123		124
II. Tangible fixed assets	1125		126
1. Land and buildings	1127		128
2. Plant and machinery	1129		130
		463.854.177,09	350.000.000,00

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B184033

Matricule : 2014 2200 903

	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131	131	132
4. Payments on account and tangible fixed assets under development	1133	133	134
<b>III. Financial fixed assets</b>	1135	<b>463.854.177,09</b>	<b>350.000.000,00</b>
1. Shares in affiliated undertakings	1137	137	138
2. Amounts owed by affiliated undertakings	1139	3.1 463.854.177,09	140 350.000.000,00
3. Shares in undertakings with which the undertaking is linked by virtue of participating interests	1141	141	142
4. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1143	143	144
5. Securities and other financial instruments held as fixed assets	1145	145	146
6. Loans and claims held as fixed assets	1147	147	148
7. Own shares or own corporate units	1149	149	150
<b>D. Current assets</b>	1151	<b>3.958.174,19</b>	<b>15.672.341,91</b>
<b>I. Inventories</b>	1153	153	154
1. Raw materials and consumables	1155	155	156
2. Work and contracts in progress	1157	157	158
3. Finished goods and merchandise	1159	159	160
4. Payments on account	1161	161	162
<b>II. Debtors</b>	1163	<b>2.643.638,53</b>	<b>13.761.805,54</b>
1. Trade receivables	1165	165	166
a) becoming due and payable within one year	1167	167	168
b) becoming due and payable after more than one year	1169	169	170
2. Amounts owed by affiliated undertakings	1171	4.1 2.627.874,76	172 13.761.805,54
a) becoming due and payable within one year	1173	2.627.874,76	174 13.761.805,54
b) becoming due and payable after more than one year	1175	175	176
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177	177	178
a) becoming due and payable within one year	1179	179	180
b) becoming due and payable after more than one year	1181	181	182

The notes in the annex form an integral part of the annual accounts

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Matricule : 2014 2200 903

	Reference(s)	Current year	Previous year
4. Other receivables	1183 <u>4.2</u>	183 <u>15.763,77</u>	184 <u>0,00</u>
a) becoming due and payable within one year	1185 _____	185 <u>15.763,77</u>	186 <u>0,00</u>
b) becoming due and payable after more than one year	1187 _____	187 _____	188 _____
III. Transferable securities and other financial instruments	1189 _____	189 _____	190 _____
1. Shares in affiliated undertakings and in undertakings with which the undertaking is linked by of participating interests	1191 _____	191 _____	192 _____
2. Own shares or own corporate units	1193 _____	193 _____	194 _____
3. Other transferable securities and other financial instruments	1195 _____	195 _____	196 _____
IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand	1197 <u>5</u>	197 <u>1.314.535,66</u>	198 <u>1.910.536,37</u>
E. Prepayments	1199 <u>6</u>	199 <u>4.608.894,65</u>	200 <u>0,00</u>
<b>TOTAL (ASSETS)</b>		201 <u>472.421.245,93</u>	202 <u>365.672.341,91</u>

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B184033

Matricule : 2014 2200 903

## LIABILITIES

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>	1301 <u>7-8-9</u>	301 <u>-3.636.682,71</u>	302 <u>3.887.101,66</u>
I. Subscribed capital	1303	303 <u>45.000,00</u>	304 <u>300,00</u>
II. Share premium and similar premiums	1305	305	306
III. Revaluation reserves	1307	307	308
IV. Reserves	1309	309 <u>28.169.159,17</u>	310 <u>28.213.859,17</u>
1. Legal reserve	1311	311	312
2. Reserve for own shares or own corporate units	1313	313	314
3. Reserves provided for by the articles of association	1315	315	316
4. Other reserves	1317	317 <u>28.169.159,17</u>	318 <u>28.213.859,17</u>
V. Profit or loss brought forward	1319	319 <u>-24.327.057,51</u>	320 <u>-23.175.057,51</u>
VI. Profit or loss for the financial year	1321	321 <u>-7.523.784,37</u>	322 <u>-1.152.000,00</u>
VII. Interim dividends	1323	323	324
VIII. Capital investment subsidies	1325	325	326
IX. Temporarily not taxable capital gains	1327	327	328
<b>B. Subordinated debts</b>	1329	329	330
1. Convertible loans	1413	413	414
a) becoming due and payable within one year	1415	415	416
b) becoming due and payable after more than one year	1417	417	418
2. Non convertible loans	1419	419	420
a) becoming due and payable within one year	1421	421	422
b) becoming due and payable after more than one year	1423	423	424
<b>C. Provisions</b>	1331 <u>10</u>	331 <u>25.627,74</u>	332 <u>0,00</u>
1. Provisions for pensions and similar obligations	1333	333	334
2. Provisions for taxation	1335	335 <u>3.884,10</u>	336 <u>0,00</u>
3. Other provisions	1337	337 <u>21.743,64</u>	338 <u>0,00</u>
<b>D. Non subordinated debts</b>	1339 <u>11</u>	339 <u>466.276.692,90</u>	340 <u>361.785.240,25</u>
1. Debenture loans	1341	341	342
a) Convertible loans	1343	343	344
i) becoming due and payable within one year	1345	345	346
ii) becoming due and payable after more than one year	1347	347	348

The notes in the annex form an integral part of the annual accounts

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Matricule: 2014 2200 903

	Reference(s)	Current year	Previous year
b) Non convertible loans	1349	349	350
i) becoming due and payable within one year	1351	351	352
ii) becoming due and payable after more than one year	1353	353	354
2. Amounts owed to credit institutions	1355	11.1	355
a) becoming due and payable within one year	1357	2.422.515,81	357
b) becoming due and payable after more than one year	1359	463.854.177,09	359
3. Payments received on account of orders as far as they are not deducted distinctly from inventories	1361		361
a) becoming due and payable within one year	1363		363
b) becoming due and payable after more than one year	1365		365
4. Trade creditors	1367		367
a) becoming due and payable within one year	1369		369
b) becoming due and payable after more than one year	1371		371
5. Bills of exchange payable	1373		373
a) becoming due and payable within one year	1375		375
b) becoming due and payable after more than one year	1377		377
6. Amounts owed to affiliated undertakings	1379		379
a) becoming due and payable within one year	1381		381
b) becoming due and payable after more than one year	1383		383
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	0,00	385
a) becoming due and payable within one year	1387	0,00	387
b) becoming due and payable after more than one year	1389		389
8. Tax and social security debts	1391		391
a) Tax debts	1393		393
b) Social security debts	1395		395

The notes in the annex form an integral part of the annual accounts

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	Reference(s)	Current year	Previous year
9. Other creditors	1397	397	398
a) becoming due and payable within one year	1399	399	400
b) becoming due and payable after more than one year	1401	401	402
<b>E. Deferred income</b>	1403	403	404
	12	9.755.608,00	0,00
<b>TOTAL (LIABILITIES)</b>		472.421.245,93	365.672.341,91

The notes in the annex form an integral part of the annual accounts

## PROFIT AND LOSS ACCOUNT

Financial year from <sup>01</sup> 20/01/2014 to <sup>02</sup> 31/03/2015 (in <sup>03</sup> USD )

Raizen Fuels Finance S.A.

40, avenue Monterey

L-2163 Luxembourg

## A. CHARGES

	Reference(s)	Current year	Previous year
<b>1. Use of merchandise, raw materials and consumable materials</b>	1601 _____	601 _____	602 _____
<b>2. Other external charges</b>	1603 _____ 13	603 _____ 139,686,08	604 _____ 0,00
<b>3. Staff costs</b>	1605 _____	605 _____	606 _____
a) Salaries and wages	1607 _____	607 _____	608 _____
b) Social security on salaries and wages	1609 _____	609 _____	610 _____
c) Supplementary pension costs	1611 _____	611 _____	612 _____
d) Other social costs	1613 _____	613 _____	614 _____
<b>4. Value adjustments</b>	1615 _____	615 _____	616 _____
a) on formation expenses and on tangible and intangible fixed assets	1617 _____	617 _____	618 _____
b) on current assets	1619 _____	619 _____	620 _____
<b>5. Other operating charges</b>	1621 _____	621 _____	622 _____
<b>6. Value adjustments and fair value adjustments on financial fixed assets</b>	1623 _____	623 _____	624 _____
<b>7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities</b>	1625 _____	625 _____	626 _____
<b>8. Interest and other financial charges</b>	1627 _____ 14	627 _____ 44.295.947,27	628 _____ 26.091.000,00
a) concerning affiliated undertakings	1629 _____	629 _____	630 _____
b) other interest and similar financial charges	1631 _____	631 _____ 44.295.947,27	632 _____ 26.091.000,00

The notes in the annex form an integral part of the annual accounts

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	Reference(s)	Current year	Previous year
<b>9. Share of losses of undertakings accounted for under the equity method</b>	1649 _____	649 _____	650 _____
<b>10. Extraordinary charges</b>	1633 _____	633 <u>128,49</u>	634 <u>0,00</u>
<b>11. Income tax</b>	1635 <u>15</u>	635 <u>3.884,10</u>	636 <u>0,00</u>
<b>12. Other taxes not included in the previous caption</b>	1637 _____	637 _____	638 _____
<b>13. Profit for the financial year</b>	1639 _____	639 <u>0,00</u>	640 <u>0,00</u>
<b>TOTAL CHARGES</b>		641 <u>44.439.645,94</u>	642 <u>26.091.000,00</u>

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B184033

Matricule : 2014 2200 903

**B. INCOME**

	Reference(s)	Current year	Previous year
<b>1. Net turnover</b>	1701 _____	701 _____	702 _____
<b>2. Change in inventories of finished goods and of work and contracts in progress</b>	1703 _____	703 _____	704 _____
<b>3. Fixed assets under development</b>	1705 _____	705 _____	706 _____
<b>4. Reversal of value adjustments</b>	1707 _____	707 _____	708 _____
a) on formation expenses and on tangible and intangible fixed assets	1709 _____	709 _____	710 _____
b) on current assets	1711 _____	711 _____	712 _____
<b>5. Other operating income</b>	1713 _____	713 _____	714 _____
<b>6. Income from financial fixed assets</b>	1715 _____ <b>16</b>	715 <u>21.052.369,06</u>	716 <u>24.939.000,00</u>
a) derived from affiliated undertakings	1717 _____	717 <u>21.052.369,06</u>	718 <u>24.939.000,00</u>
b) other income from participating interests	1719 _____	719 _____	720 _____
<b>7. Income from financial current assets</b>	1721 _____ <b>17</b>	721 <u>67.958,95</u>	722 <u>0,00</u>
a) derived from affiliated undertakings	1723 _____	723 _____	724 _____
b) other income from financial current assets	1725 _____	725 <u>67.958,95</u>	726 <u>0,00</u>
<b>8. Other interest and other financial income</b>	1727 _____ <b>18</b>	727 <u>15.589.283,56</u>	728 <u>0,00</u>
a) derived from affiliated undertakings	1729 _____	729 _____	730 _____
b) other interest and similar financial income	1731 _____	731 <u>15.589.283,56</u>	732 <u>0,00</u>
<b>9. Share of profits of undertakings accounted for under the equity method</b>	1745 _____	745 _____	746 _____
<b>10. Extraordinary income</b>	1733 _____	733 <u>206.250,00</u>	734 <u>0,00</u>
<b>13. Loss for the financial year</b>	1735 _____	735 <u>7.523.784,37</u>	736 <u>1.152.000,00</u>
<b>TOTAL INCOME</b>		737 <u>44.439.645,94</u>	738 <u>26.091.000,00</u>

The notes in the annex form an integral part of the annual accounts

**Note 1. GENERAL INFORMATION**

Raizen Fuels Finance S.A., (the “Company”) was incorporated on July 7, 2009 as a limited liability company organized under the laws of the Cayman Islands under the name of CCL Finance Limited., having its registered office at PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman, Cayman Islands and registered with the Commercial Register of the Cayman Islands under number 228008. By special resolution dated July 4, 2012, the Company changed its name from CCL Finance Limited to Raizen Fuels Finance Limited. By resolution validly adopted by the Board of Directors of the Company in Cayman Islands, on January 20, 2014, acting in accordance with the articles of association of the Company, the Company duly resolved to transfer its registered office, principal establishment and central administration from PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman, Cayman Islands, to the city of Luxembourg, Grand Duchy of Luxembourg, as from the date hereof without the Company being dissolved but on the contrary with full corporate and legal continuance. All formalities required under the laws of Cayman Islands to give effect to that resolution have been duly performed.

The Company is a public company limited by shares (société anonyme) governed by the laws of the Grand Duchy of Luxembourg, in particular the law of August 10, 1915, on commercial companies, as amended (the Law), and these articles of incorporation (the Articles).

The Company’s object is the acquisition of participations, in Luxembourg or abroad, in any company or enterprise in any form whatsoever, and the management of those participations. The Company may in particular acquire, by subscription, purchase and exchange or in any other manner, any stock, shares and other participation securities, bonds, debentures, certificates of deposit and other debt instruments and, more generally, any securities and financial instruments issued by any public or private entity. It may participate in the creation, development, management and control of any company or enterprise. Further, it may invest in the acquisition and management of a portfolio of patents or other intellectual property rights of any nature or origin.

The Company may borrow in any form. It may issue notes, bonds and any kind of debt and equity securities. It may lend funds, including, without limitation, the proceeds of any borrowings, to its subsidiaries, affiliated companies and any other companies. It may also give guarantees and pledge, transfer, encumber or otherwise create and grant security over some or all of its assets to guarantee its own obligations and those of any other company, and, generally, for its own benefit and that of any other company or person. For the avoidance of doubt, the Company may not carry out any regulated financial sector activities without having obtained the requisite authorisation.

The Company may use any techniques, legal means and instruments to manage its investments efficiently and protect itself against credit risks, currency exchange exposure, interest rate risks and other risks.

The Company may carry out any commercial, financial or industrial operation and any transaction with respect to real estate or movable property, which directly or indirectly, favours or relates to its corporate object.

The registered address of the Company is established at 40 avenue Monterey, L-2163 Luxembourg.

The Company’s financial year starts on April 1 and ends on March 31 of each year except for the first financial period starting on the date of transfer to Luxembourg and ending on March 31, 2015.

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the Law of December 19, 2002 as subsequently amended, determined and applied by the Board of Directors of the Company.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumption changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

**2.2 Foreign currency translation**

The books of accounts are maintained in United States Dollars (USD). Transactions expressed in currencies other than USD are translated into USD at exchange rate effective at the time of the transaction.

The realized and unrealised exchange losses and gains related to the back-to-back financing activity expressed in other currencies other than USD are recorded in the profit and loss account.

Other assets and liabilities apart from the abovementioned activity, are translated separately respectively at the lower or at the higher of the value converted at the historic exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The realized and unrealised exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realisation.

**2.3 Financial fixed assets**

Shares in affiliated undertakings held as fixed assets are valued at purchase price including the expenses incidental thereto.

In case of a durable depreciation in value according to the opinion of the Board of Directors, value adjustments are made in respect of financial fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT. AND END)**

**2.4 Debtors**

Debtors are valued at their nominal value. They are subject to value adjustments when their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

**2.5 Cash at bank, cash in postal cheque accounts, cheques and cash in hand**

The Company considers all cash on hand, demand deposits with financial institutions and short term, highly liquid investments with original maturities of three months or less to be cash equivalents.

**2.6 Deferred charges and deferred income**

These items include charges and/or income incurred during the financial year but relating to subsequent financial years.

**2.7 Debts**

Debts are recorded at their reimbursement value. When the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt based on a linear method.

**2.8 Provisions**

Provisions intended to cover losses and debts the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

**NOTE 3. FINANCIAL FIXED ASSETS**

**NOTE 3.1 AMOUNTS OWED BY AFFILIATED UNDERTAKINGS**

As of March 31, 2015, this caption is composed as follows :

	<b>31.03.2015</b> <b>(USD)</b>	<b>20.01.2014</b> <b>(USD)</b>
Raizen Energia S.A. – Loan (interest 9,50%) (USD 350.000.000,00)	0,00	350.000.000,00
Raizen Energia S.A. – EPP Loan 1 principal amount (USD 350.000.000,00)	350.000.000,00	0,00
Raizen Energia S.A. – EPP Loan 2 principal amount (EUR 66.000.000,00)	70.587.166,30	0,00
Raizen Energia S.A. – EPP Loan 3 principal amount (EUR 40.000.000,00)	43.267.010,79	0,00
	<u>463.854.177,09</u>	<u>350.000.000,00</u>

**NOTE 3. FINANCIAL FIXED ASSETS (CONT. AND END)**

**NOTE 3.1 AMOUNTS OWED BY AFFILIATED UNDERTAKINGS (CONT. AND END)**

At the date of the transfer to Luxembourg the Company had granted to RAIZEN ENERGIA S.A. (a Group company incorporated under the law of Brazil), a loan for a total amount of USD 350.000.000,00 bearing a fixed interest of 9,50%. This loan was financed through Senior Notes (bearing an interest of 9,50%) issued on 11 August, 2009 which were intended to be reimbursed on 15 August 2014. The management of the Company decided on 8 April 2014 to repay in advance such Senior Notes following to the repayment of the previous loan receivable which was in place with RAIZEN ENERGIA S.A.

In order to continue to finance the export activity to be performed by RAIZEN ENERGIA S.A., the Company entered into a prepaid export agreements named "Contrato de pagamento antecipado de exportação" (the Loan Agreements). The prepayment of the exports has the sole purpose to finance the fulfilment of the obligations arising from export agreements signed with the importers by RAIZEN ENERGIA S.A.

The Company has granted to RAIZEN ENERGIA S.A., as pre-payment on the export sales, an aggregate amount of USD 350.000.000,00 (Loan 1), detailed as follows:

- USD 75.967.297,09 (on 4 April, 2014)  
Repayment date shall be 29 March, 2018 for USD 37.983.648,55 and 29 March, 2019 for the remaining amount of USD 37.983.648,54.
- USD 92.040.165,00 (on 15 May, 2014)  
Repayment date shall be 29 March, 2018 for USD 46.020.082,50 and 29 March, 2019 for the remaining amount of USD 46.020.082,50.
- USD 91.375.867,52 (on 16 June, 2014)  
Repayment date shall be 29 March, 2018 for USD 45.687.933,76 and 29 March, 2019 for the remaining amount of USD 45.687.933,76.
- USD 90.616.670,39 (on 16 July, 2014)  
Repayment date shall be 29 March, 2018 for USD 45.308.335,20 and 29 March, 2019 for the remaining amount of USD 45.308.335,19.

The loans shall bear interest at a LIBOR quarterly rate + 1,55% on the basis of a 360-day year. The interest payment shall be executed each quarter.

On 15 October, 2014, the Company entered into an additional "Contrato de pagamento antecipado de exportação" and has granted to RAIZEN ENERGIA S.A. an amount of EUR 66.000.000,00 (Loan 2) which shall bear a fixed interest of 3,085% a.a., on the basis of a 360-day year. The maturity date shall be on 15 October, 2021.

On 20 January, 2015, the Company entered into an additional "Contrato de pagamento antecipado de exportação" and has granted to RAIZEN ENERGIA S.A. an amount of EUR 40.000.000,00 (Loan 3) which shall bear a floating interest at a EURIBOR quarterly rate + 2,21% a.a. on the basis of a 360-day year. The maturity date shall be on 20 January, 2022.

**Notes to the annual accounts**  
**As at March 31, 2015**

**RAIZEN FUELS FINANCE S.A.**

**NOTE 4. DEBTORS**

**Note 4.1**      AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

**a) Becoming due and payable within one year**

	<b>31.03.2015</b> <b>(USD)</b>	<b>20.01.2014</b> <b>(USD)</b>
Accrued interest on Loan granted to Raizen Energia S.A. (interest 9,50%)	0,00	13.761.805,54
Accrued interest on loan 1 granted to Raizen Energia	1.435.877,01	0,00
Accrued interest on loan 2 granted to Raizen Energia	1.013.838,95	0,00
Accrued interest on loan 3 granted to Raizen Energia	178.158,80	0,00
	<u>2.627.874,76</u>	<u>13.761.805,54</u>

**Note 4.2**      OTHER RECEIVABLES

As of March 31,2015, this caption is composed as follows:

**a) Becoming due and payable within one year**

	<b>31.03.2015</b> <b>(USD)</b>	<b>20.01.2014</b> <b>(USD)</b>
Advance Corporate Income Tax 2014	3.569,84	0,00
Advance Corporate Income Tax 2015	900,24	0,00
VAT receivable	9.794,24	0,00
Supplier – advance paid	1.499,45	0,00
	<u>15.763,77</u>	<u>0,00</u>

**NOTE 5. CASH AT BANK, CASH IN POSTAL CHEQUE ACCOUNTS, CHEQUES AND CASH IN HAND**

As of March 31,2015, this caption is composed as follows:

	<b>31.03.2015</b> <b>(USD)</b>	<b>20.01.2014</b> <b>(USD)</b>
JP Morgan - Current account in USD	1,08	1,37
JP Morgan - Deposit account in USD	1.314.534,58	1.910.535,00
	<u>1.314.535,66</u>	<u>1.910.536,37</u>

**NOTE 6. PREPAYMENTS – DEFERRED CHARGES**

This item includes financing costs occurred during the financial year for loans granted to the Company (see note 10) but allocable to subsequent financial years on the basis of the maturity dates.

**NOTE 7. SUBSCRIBED CAPITAL**

As from the effective date of the transfer to Luxembourg, the share capital is set at forty-five thousand United States dollars (USD 45,000.-), represented by forty-five thousand (45,000) shares in registered form, having a nominal value of one United States dollar (USD 1.-) each.

**NOTE 8. LEGAL RESERVE**

Under Luxembourg law, the Company is required to transfer to a legal reserve a minimum of 5 % of its net profits each year until this reserve equals 10 % of the issued share capital. This reserve is not available for distribution.

**NOTE 9. MOVEMENTS FOR THE YEAR ON THE CAPITAL AND THE RESERVES**

The movements for the year are as follows:

	Subscribed share capital	Share premium and Other Reserves	Profit / (Loss) brought forward	Profit/ (Loss) For the period	Total
<b>Balance as at January 20, 2014</b>	300,00	28.213.859,17	(24.327.057,51)	-	3.887.101,66
Increase of capital	44.700,00	-	-	-	-
Reduction of capital	-	-	-	-	-
Share premium and similar premium	-	(44.700,00)	-	-	-
Allocation of the result	-	-	-	-	-
Result for the year	-	-	-	(7.523.784,37)	(7.523.784,37)
<b>Balance as at March 31, 2015</b>	45.000,00	28.169.159,17	(24.327.057,51)	(7.523.784,37)	(3.636.682,71)

**NOTE 10. PROVISIONS**

As of March 31, 2015, this caption is composed as follows:

	31.03.2015 (USD)	20.01.2014 (USD)
Corporate Income Tax accrual	3.884,10	0,00
Accounting fees – Accrual	16.196,49	0,00
Audit fees – Accrual	925,29	0,00
Tax advisor – Accrual	4.621,86	0,00
	<u>25.627,74</u>	<u>0,00</u>

**NOTE 11. NON SUBORDINATED DEBTS**

**Note 11.1 AMOUNT OWED TO CREDIT INSTITUTIONS**

As of March 31, 2015, this caption is composed as follows:

**a) Becoming due and payable within one year**

	<b>31.03.2015</b> <b>(USD)</b>	<b>20.01.2014</b> <b>(USD)</b>
Accrued interest on Senior Notes (9,50%)	0,00	11.578.990,25
Syndicated Facility Agreement– Accrued interest	1.316.293,61	0,00
Assignable loan 1 – Accrued interest	941.903,19	0,00
Assignable loan 2 – Accrued interest	164.319,01	0,00
	<u><b>2.422.515,81</b></u>	<u><b>11.578.990,25</b></u>

**b) Becoming due and payable after more than one year**

	<b>31.03.2015</b> <b>(USD)</b>	<b>20.01.2014</b> <b>(USD)</b>
Senior Notes (9,50%) – principal amount	0,00	350.000.000,00
Syndicated Facility Agreement – Principal amount	350.000.000,00	0,00
Assignable loan 1 – Principal amount	70.587.166,30	0,00
Assignable loan 2 – Principal amount	43.267.010,79	0,00
	<u><b>463.854.177,09</b></u>	<u><b>350.000.000,00</b></u>

On March 31, 2014, the Company entered into a Term Loan Facility agreement with several Lenders and Credit Agricole Corporate and Investment Bank as Administrative Agent for an aggregate principal amount up to USD 350.000.000,00.

The loans shall bear interest at a LIBOR quarterly rate + 1,40% on the basis of a 360-day year. The interest payment shall be executed each quarter. The scheduled Maturity Date shall be March 31, 2019.

On October 15, 2014, the Company entered into an Assignable Loan agreement with several Lenders and Citibank N.A. London Branch as Paying Agent and Registrar for an aggregate amount in principal of EUR 66.000.000,00.

The loans shall bear a fixed interest of 2,875% calculated on the basis of the actual number of days elapsed, divided by the number of days (365 or 366) in the respective interest year. The interest payment shall be paid annually in arrear on October 15, of each year. The first interest payment being due shall on 15 October 2015. The Maturity Date shall be March 15, 2021.

**NOTE 11. NON SUBORDINATED DEBTS (CONT. AND END)**

**Note 11.1 AMOUNT OWED TO CREDIT INSTITUTIONS (CONT. AND END)**

**a) Becoming due and payable after more than one year (cont. and end)**

On January 20, 2015, the Company entered into an additional Assignable Loan agreement with Bank of China Limited, Frankfurt Branch as a Lender and Citibank N.A. London Branch as Paying Agent, Calculation Agent and Registrar for an amount in principal of EUR 40.000.000,00.

The loans shall bear a floating interest at a EURIBOR quarterly rate + 2,00% a.a. on the basis of a 360-day year. The maturity date shall be on 20 January, 2022.

The interest payment shall be paid quarterly on 20 January, 20 April, 20 July and 20 October of each year. The first interest payment being due shall on 20 April 2015.

**NOTE 12. DEFERRED INCOME**

This item includes recovery financing costs incurred during the financial year by the Company and commissions payable by Raizen Energia S.A. to the Company following to several loans granted (see note 3) but related to subsequent financial years on the basis of the maturity dates.

**NOTE 13. OTHER EXTERNAL CHARGES**

This caption is composed as follows:

	<b>2015</b> <b>(USD)</b>	<b>2014</b> <b>(USD)</b>
Bank fees and costs	2.127,37	0,00
Legal fees	24.014,62	0,00
Accounting fees	67.272,76	0,00
Chamber of Commerce – Contribution fees	475,58	0,00
Audit fees	5.510,44	0,00
Tax advisory fees	40.008,91	0,00
Other fees	276,40	0,00
	<u>139.686,08</u>	<u>0,00</u>

**NOTE 14. INTEREST AND OTHER FINANCIAL CHARGES**

Interest and other financial charges are composed of :

**b) Other interest and similar financial charges**

	<b>2015</b> <b>(USD)</b>	<b>2014</b> <b>(USD)</b>
Interest and costs on loans received	28.700.689,81	26.091.000,00
Unrealized foreign exchange loss	15.595.257,46	0,00
	<u>44.295.947,27</u>	<u>26.091.000,00</u>

**Notes to the annual accounts  
As at March 31, 2015**

**RAIZEN FUELS FINANCE S.A.**

**NOTE 15. INCOME TAX**

This caption is composed as follows:

	<b>2015 (USD)</b>	<b>2014 (USD)</b>
Corporate Income Tax – current year	3.884,10	0,00
	<u>3.884,10</u>	<u>0,00</u>

**NOTE 16. INCOME FROM FINANCIAL FIXED ASSETS**

**a) Derived from affiliated undertakings**

This caption is composed as follows:

	<b>2015 (USD)</b>	<b>2014 (USD)</b>
Interest from loans granted	19.061.991,40	24.939.000,00
Commissions received for loans granted	1.990.377,66	-
	<u>21.052.369,06</u>	<u>24.939.000,00</u>

**NOTE 17. INCOME FROM FINANCIAL CURRENT ASSETS**

**b) Other interest and similar financial income**

	<b>2015 (USD)</b>	<b>2014 (USD)</b>
Interest from bank accounts	67.958,95	0,00
	<u>67.958,95</u>	<u>0,00</u>

**NOTE 18. OTHER INTEREST AND OTHER FINANCIAL INCOME**

	<b>2015 (USD)</b>	<b>2014 (USD)</b>
Realized foreign exchange gains	6.187,37	0,00
Unrealized foreign exchange gains	15.583.096,19	0,00
	<u>15.589.283,56</u>	<u>0,00</u>

**NOTE 19. TAXATION**

The Company is an ordinary corporate taxpayer under Luxembourg law. Corporations that are resident Luxembourg taxpayers are taxed on their worldwide net income, determined on the basis of gross income less costs incurred. Certain items of income and capital gains are excluded from the calculation of income received for tax purposes, including income and capital gains from certain investments that meet certain holding periods and size requirements.

**NOTE 20. SUBSEQUENT EVENTS**

On August 31, 2015 , the Company resolved to assign the loan granted to RAIZEN ENERGIA SA. for a principal amount of USD 350.000.000,00 to RAIZEN COMBUSTIVEIS S.A.

On August 31, 2015 , the Company resolved to assign the loan granted to RAIZEN ENERGIA S.A. for a principal amount of EUR 66.000.000,00 to RAIZEN COMBUSTIVEIS S.A.

On August 31, 2015 , the Company resolved to assign the loan granted to RAIZEN ENERGIA S.A. for a principal amount of EUR 40.000.000,00 to RAIZEN COMBUSTIVEIS S.A.

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**Raízen Combustíveis S.A.**

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