

U.S.\$300,000,000
Cosan Overseas Limited
(Incorporated in the Cayman Islands)



8.25% PERPETUAL NOTES
Unconditionally and irrevocably guaranteed by

Cosan S.A. Indústria e Comércio
(Incorporated in the Federative Republic of Brazil)

Interest payable on February 5, May 5, August 5 and November 5

Cosan Overseas Limited, or the Issuer, is offering U.S.\$300,000,000 aggregate principal amount of 8.25% perpetual notes, or the notes. Interest on the notes will accrue at a rate of 8.25% per year. The Issuer will pay interest on the notes in arrears on February 5, May 5, August 5 and November 5 of each year, commencing on February 5, 2011. On or after November 5, 2015, the Issuer may redeem the notes, in whole and in part, at 100% of their principal amount plus accrued interest and additional amounts, if any.

The notes will be unsecured and will rank equally with the other unsecured unsubordinated indebtedness that the Issuer may incur. The Issuer's parent company, Cosan S.A. Indústria e Comércio, or Cosan, will fully and unconditionally guarantee, on an unsecured basis, all of the Issuer's obligations pursuant to the notes and the indenture under which they are issued. Upon consummation of the proposed joint venture between Cosan and Shell International Petroleum Company Limited, or Shell, described in "Our Pending Joint Venture" and as set forth in "Description of the Notes—Covenants—Limitations and Restrictions on Cosan and its Subsidiaries—Notes Guaranty by CCL," Cosan's wholly-owned subsidiary Cosan Combustíveis e Lubrificantes S.A., or CCL, will also fully and unconditionally guarantee, on an unsecured basis, all of the Issuer's obligations pursuant to the notes.

Cosan's guarantee will rank equally in right of payment with the other unsecured unsubordinated indebtedness and guarantees of Cosan and effectively subordinated to the liabilities of Cosan's subsidiaries and jointly controlled companies. The guarantee will be effectively junior to the secured indebtedness of Cosan to the extent of such security and to the indebtedness of Cosan's non-guarantor subsidiaries and jointly controlled companies. For a more detailed description of the notes, see "Description of Notes" beginning on page 58.

We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market of that exchange. See "Listing and General Information." The notes may not be admitted to trading on the Euro MTF Market prior to or on the settlement date. This offering memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 10, 2005 on prospectuses for securities.

Investing in the notes involves risks. See "Risk Factors" beginning on page 32.

PRICE 100.00% AND ACCRUED INTEREST, IF ANY

The notes (and the guarantee) have not been registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, or under any state securities laws and are being offered only outside the United States to institutional and other investors that are not U.S. persons in compliance with Regulation S under the Securities Act. For more information about restrictions on transfer of the notes, see "Transfer Restrictions" beginning on page 90.

The initial purchasers expect to deliver the notes to purchasers in book-entry form through Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, société anonyme, or Clearstream, on November 5, 2010.

MORGAN STANLEY

CREDIT SUISSE

J.P. MORGAN

November 5, 2010

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You should only rely on the information contained in this offering memorandum. We have not authorized anyone to provide you with different information. Neither we nor any of the initial purchasers is making an offer of the notes in any jurisdiction where the offer is not permitted. The information of this offering memorandum is accurate only as of the date of this offering memorandum, regardless of when this offering memorandum is delivered or any sale of the notes occurs.

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to (1) “Cosan,” “Cosan S.A.,” the “Company,” “we,” “our,” “ours,” “us” or similar terms refer to Cosan S.A. Indústria e Comércio together with its subsidiaries and jointly controlled entities, (2) “Cosan Overseas” or the “Issuer” refer to our wholly-owned finance subsidiary, Cosan Overseas Limited, an exempted company organized under the laws of the Cayman Islands and (3) “Cosan Limited” refers to our parent company, Cosan Limited, a holding company organized under the laws of Bermuda, together with its subsidiaries.

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

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

NOTICE TO MEMBERS OF THE PUBLIC OF THE CAYMAN ISLANDS

SECTION 175 OF THE COMPANIES LAW (2010 REVISION) OF THE CAYMAN ISLANDS PROVIDES THAT AN EXEMPTED COMPANY (SUCH AS COSAN OVERSEAS LIMITED) THAT IS NOT LISTED ON THE CAYMAN ISLANDS STOCK EXCHANGE IS PROHIBITED FROM MAKING ANY INVITATION TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR ANY OF ITS NOTES. EACH PURCHASER OF THE NOTES AGREES THAT NO INVITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THE NOTES.

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This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or the affairs of our subsidiaries or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes. We 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. Morgan Stanley & Co. International plc, Credit Suisse Securities (Europe) Limited and J.P. Morgan Securities Ltd. will act as initial purchasers with respect to the offering of the notes. This offering memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes. Distribution of this offering memorandum by you to any person other than those persons retained to advise you is unauthorized, and any disclosure of any of the contents of this offering memorandum without our prior written consent is prohibited. By accepting delivery of this offering memorandum, you agree to the foregoing and to make no photocopies of this offering memorandum, and, if you do not purchase the notes or the offering is terminated for any reason, to return this offering memorandum to: Morgan Stanley & Co. International plc, 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom, Attention: Global Capital Markets, Head of Transaction Management Group; or Credit Suisse Securities (Europe) Limited, One Cabot Square, London E14 4QJ, United Kingdom, Attention: Debt Capital Markets, Syndicate Desk; or J.P. Morgan Securities Ltd., 125 London Wall, London EC2Y 5AJ, United Kingdom, Attention: Debt Capital Markets.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers or their agents have any responsibility therefor. See “Transfer Restrictions” for information concerning some of the transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on any of the initial purchasers or their agents or any person affiliated with any of the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

This offering memorandum may only be used for the purpose for which it has been published. None of the initial purchasers or any of their agents are making any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. None of the initial purchasers or any of their agents have independently verified any of such

information and assume no responsibility for the accuracy or completeness of the information contained in this offering memorandum.

We and the initial purchasers reserve the right to reject any offer to purchase, in whole or in part, and for any reason, the notes offered hereby. We and the initial purchasers also reserve the right to sell or place less than all of the notes offered hereby.

See “Risk Factors,” following the “Summary,” for a description of certain factors relating to an investment in the notes, including information about our business.

None of us, the initial purchasers or any of our or their representatives are making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisers as to legal, tax, business, financial and related aspects of a purchase of the notes.

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 the Union of Producers of Bio-energy (*União dos Produtores de Bioenergia*), or UDOP, LMC International Ltd., or LMC, the Central Bank, the Sugarcane Agroindustry Association of the State of São Paulo (*União da Agroindústria Canavieira de São Paulo*), or UNICA, the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, the National Traffic Agency (*Departamento Nacional de Trânsito*), or DENATRAN, the Brazilian Association of Vehicle Manufactures (*Associação Nacional dos Fabricantes de Veículos Automotores*), or ANFAVEA, Datagro Publicações Ltda., or Datagro, F.O. Licht, Czarnikow, the Brazilian National Oil Agency (*Agência Nacional de Petróleo*) or ANP, the Brazilian National Syndicate of Distributors of Fuel and Lubricants (*Sindicato Nacional das Empresas Distribuidoras de Combustíveis e de Lubrificantes*), or Sindicom, Apoio e Vendas Procana Comunicações Ltda., the São Paulo Stock Exchange (*BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros*), or BM&FBOVESPA, the International Sugar Organization, the Brazilian National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, the New York Board of Trade, or NYBOT, the New York Stock Exchange and the London Stock Exchange. We believe that all market data in this offering memorandum is reliable, accurate and complete.

All references in this offering memorandum to “tons” shall also include “metric tons.” References to “eop” mean “end of period.” The term “MW” and “GW” refers to megawatt and gigawatt, respectively, and the term “GWh” refers to gigawatt hours. One “hectare” is equivalent to 10,000 square meters. P.A. refers to per annum.

ENFORCEABILITY OF CIVIL LIABILITIES

Cayman Islands

The Issuer is an exempted company incorporated with limited liability under the laws of the Cayman Islands. The Issuer is incorporated in the Cayman Islands because of certain benefits associated with being a Cayman Islands company, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of exchange control or currency restrictions and the availability of professional and support services. However, the Cayman Islands have a less developed body of securities laws as compared to other jurisdictions and provides protections for investors to a significantly lesser extent. In addition, Cayman Islands companies do not have standing to sue before the federal courts of the United States. All of the Issuer's assets are located outside the United States, and all of the Issuer's directors and executive officers or such person's assets are located outside United States. As a result, it may be difficult for investors to effect service of process within the United States upon the Issuer, or such persons, or to enforce against them, judgments obtained in U.S. courts.

We have been advised by our Cayman Islands counsel, Maples and Calder, that there is uncertainty as to whether the courts of the Cayman Islands would (1) recognize or enforce judgments of United States courts obtained against the Issuer or any state thereof, or (2) be competent to hear original actions brought in each respective jurisdiction, against the Issuer or such persons predicated upon the securities laws of other jurisdictions. Maples & Calder has further advised the Issuer that a final and conclusive judgment in federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings by way of an action commenced on the judgment debt in the courts of the Cayman Islands.

Brazil

We are incorporated under the laws of Brazil. Most of the members of our board of directors and all of our executive officers named in this offering memorandum reside in Brazil. Substantially all of our assets and those of these other persons are located in Brazil. As a result, it may not be possible for you to effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to enforce against us or these other persons judgments obtained in the United States or other jurisdictions outside Brazil.

Lefosse Advogados, as our Brazilian counsel, has advised us that, subject to specific requirements described below, a final conclusive judgment for civil liabilities rendered by any court in the United States in respect of the notes and the guarantee would be recognized in the courts of Brazil (to the extent that Brazilian courts may have jurisdiction) and such courts would enforce such judgment without any retrial or reexamination of the merits of the original action only if such judgment has been previously ratified by the Superior Court of Justice of Brazil (*Superior Tribunal de Justiça*), such ratification being available only if:

- the judgment fulfills all formalities required for its enforceability under the laws of the jurisdiction where the judgment was rendered;
- the judgment is issued by a competent court after proper service of process on the parties, which service must comply with Brazilian law if made in Brazil;
- the judgment is not subject to appeal;
- the judgment is authenticated by the Brazilian consulate with jurisdiction over the location of the court which issued the judgment; and
- the judgment is not against Brazilian public policy, good morals or national sovereignty.

Notwithstanding the foregoing, no assurance can be given that such ratification would be obtained, that the process described above could be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the U.S. securities laws with respect to the notes and the guarantee.

We have also been advised that the ability of a judgment creditor to satisfy a judgment by attaching certain assets of the defendant is limited by provisions of Brazilian law.

In addition, 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 grant a pledge to guarantee the payment of the defendant's legal fees and court expenses in connection with court procedures for the collection of payments under the notes and the guarantee.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

On November 3, 2010, the exchange rate of *reais* into U.S. dollars was R\$1.6937 to U.S.\$1.00, based on the commercial selling rate as reported by the Central Bank. Due to fluctuations in the *real*/dollar exchange rate, the exchange rate as of June 30, 2010 may not be indicative of current or future exchange rates. See “Exchange Rates” for information regarding exchange rates for the Brazilian currency since April 30, 2005.

Financial Statements

We have included in this offering memorandum our audited consolidated balance sheets as of March 31, 2010 and 2009, and the related consolidated statements of operations, shareholders’ equity and comprehensive income (loss), and cash flows for the fiscal year ended March 31, 2010, the eleven-month period ended March 31, 2009, and the fiscal year ended April 30, 2008, and our unaudited condensed consolidated balance sheet as of June 30, 2010 and the related condensed consolidated statements of operations and cash flows for the three-month periods ended June 30, 2010 and 2009 and the condensed consolidated statement of shareholders’ equity for the three-month period ended June 30, 2010. Our financial statements are prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, which differs in certain material respects from accounting principles generally accepted in Brazil, Brazilian GAAP or BR GAAP, which we use to prepare our statutory consolidated financial statements that we file with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM. All amounts presented in this offering memorandum, and related to our financial statements, are in accordance with U.S. GAAP, unless otherwise stated.

In 2009, we modified our fiscal year end. Beginning in 2009, our fiscal year ends on March 31, while previously our fiscal year ended on April 30. References in this offering memorandum to “fiscal year 2010” or any subsequent fiscal years relate to the fiscal year ended on March 31 of the applicable calendar year. References in this offering memorandum to “transition fiscal year 2009” relate to the eleven months ended March 31, 2009. References in this offering memorandum to “fiscal year 2008” or prior fiscal years relate to the fiscal year ended on April 30 of that calendar year. We calculate income and social contribution taxes in accordance with Brazilian tax laws on a calendar year basis.

We use the U.S. dollar as our reporting currency, though we maintain our books and records in *reais*. *Real* amounts presented in our financial statements have been translated into U.S. dollars in accordance with the criteria established in the Accounting Standards Codification, or ASC, 830 “Foreign Currency Matters.” Assets and liabilities are translated from *reais* to U.S. dollars using the official exchange rates reported by the Central Bank at the relevant balance sheet date, and revenues, expenses, gains and losses are translated using the average exchange rates for the relevant period. 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 or as of that or any other date. The translation gain or loss is included in the accumulated other comprehensive income (loss) component of shareholders’ equity, and in the statement of comprehensive income (loss) for the period in accordance with the criteria established in Accounting Standards Codification, or ASC, 220 “Comprehensive Income.”

The exchange rate of the *real* into U.S. dollars was R\$1.8015 to U.S.\$1.00 at June 30, 2010, R\$1.7810 to U.S.\$1.00 at March 31, 2010, R\$1.9516 to U.S.\$1.00 at June 30, 2009, R\$2.3152 to U.S.\$1.00 at March 31, 2009 and R\$1.6872 to U.S.\$1.00 at April 30, 2008.

Where specifically indicated, certain financial information of our subsidiaries CCL, Rumo Logística S.A., or Rumo, and our sugar and ethanol segment, included in this offering memorandum, were prepared in accordance with Brazilian GAAP, which is based on:

- Brazilian Law No. 6,404 of December 15, 1976, as amended, as well as on the provisions introduced by Law No. 11,638 of December 28, 2007 and Law No. 11,941 of December 3, 2008, which are referred to hereinafter as the Brazilian corporate law, and rules and regulations enacted by the CVM; and

- the accounting standards issued by Brazilian Accounting and Standards Board (*Comitê de Pronunciamentos Contábeis*), or CPC, the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil*), or IBRACON, and the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*), or CFC.

The CVM has determined that International Financial Reporting Standards, or IFRS, should be used as the basis for consolidated financial statements of public companies from fiscal years ending in 2010 and onward. In addition, Brazilian Law No. 11,638 was enacted in 2007 and took effect in 2008, and requires all Brazilian companies to prepare their financial statements in accordance with a new set of domestic standards that are currently being issued and are based on IFRS standards. Consequently, for fiscal year 2011, we intend to present our financial statements in accordance with IFRS as issued by the International Accounting Standards Board, or IASB.

On August 25, 2010, we entered into a definitive agreement providing for the creation of a proposed joint venture, or the Joint Venture, with Shell that would combine our sugar and ethanol businesses, energy cogeneration business, fuel distribution and retail businesses and our interests in certain ethanol logistics facilities at the Port of Santos with Shell's Brazilian fuel distribution and retail businesses, its Brazilian commercial aviation and marine fuel business and its interest in certain companies involved in, among other things, the research and development of enzymes and the conversion of biomass into ethanol. The transaction also contemplates a cash contribution to the Joint Venture from Shell of approximately U.S.\$1.6 billion, which, if consummated, would further consolidate our position as the world's leading integrated bio-energy company. The formation of the Joint Venture is expected to occur in the first half of 2011 and is subject to customary closing conditions and receipt of required regulatory approvals. See "Our Pending Joint Venture."

We have included in this offering memorandum selected unaudited financial information derived from our unaudited consolidated balance sheet as of June 30, 2010 and consolidated income statement for the three-month period ended June 30, 2010 in order to illustrate certain impacts to us as a result of the Joint Venture with Shell had we consummated the Joint Venture on April 1, 2010, but we have not given effect to the contribution of Shell's fuel distribution assets and related revenues and costs to the Joint Venture. See "Summary Financial and Other Information—Impact of recent developments on Selected Unaudited Financial Information derived from our unaudited balance sheet as of June 30, 2010 and the income statement for the three-month period ended June 30, 2010, expressed in Brazilian *reais* and prepared in accordance with Brazilian GAAP" and "Risk Factors—Risks Relating to the Joint Venture —We have not included financial information regarding Shell or the fuel distribution assets that it intends to contribute to the Joint Venture."

We control Rumo and consolidate its results of operations in our financial statements. Our interest in Radar Propriedades Agrícolas S.A., or Radar, is recorded in our financial statements under the equity method of accounting. We will not contribute our interests in Rumo or Radar to the Joint Venture. For information about the accounting treatment of the Joint Venture, see "Our Pending Joint Venture—Accounting Treatment of Joint Venture."

Rounding

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

SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

The body of generally accepted accounting principles is commonly referred to as "GAAP." For this purpose, a non-GAAP financial measure is generally defined by the U.S. Securities and Exchange Commission, or the SEC, as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable U.S. GAAP measure. From time to time, we disclose so-called non-GAAP financial measures, primarily EBITDA, or our consolidated net sales, *minus* our consolidated cost of goods sold and services rendered, *minus* our consolidated selling, general, administrative, management fees and other operating expenses, *plus* any depreciation or amortization included in any of the foregoing expenses. We use this definition of EBITDA to be consistent with the definition required for the calculation of

financial ratios applicable to certain of our indebtedness. 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 EBITDA can provide useful information to 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. This is because EBITDA is perceived as a more objective and comparable measure of operating performance and liquidity. For example, interest expense is dependent on the capital structure and credit rating of a company. However, debt levels, credit ratings and, therefore, the impact of interest expense on earnings vary significantly between companies. Similarly, the tax positions of individual companies can vary because of their differing abilities to take advantage of tax benefits and the differing jurisdictions in which they transact business, with the result that their effective tax rates and tax expense can vary considerably. Finally, companies differ in the age and method of acquisition of productive assets, and thus the relative costs of those assets, as well as in the depreciation method (straight-line, accelerated, units of production), which can result in considerable variability in depreciation and amortization expense between companies. Thus, for comparison purposes, our management believes that EBITDA can be useful as an objective and comparable measure of operating profitability because it excludes these elements of earnings that do not provide information about the current operations of existing assets. Accordingly, our management believes that our disclosure of EBITDA can provide useful information to investors, financial analysts and the public in their evaluation of our operating performance.

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, and since then the *real*/U.S. dollar exchange rate has fluctuated considerably. Between 2000 and 2002, the *real* depreciated significantly against the U.S. dollar, reaching an exchange rate of R\$3.53 per U.S.\$1.00 at the end of 2002. Between 2003 and mid-2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the macroeconomic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R\$1.56 per U.S.\$1.00 in August 2008. From mid-2008, the *real* depreciated 31.9% against the U.S. dollar compared to year-end 2008. In 2009, the *real* appreciated against the U.S. dollar by 34.2%. On March 31, 2010, the exchange rate was R\$1.78 per U.S.\$1.00 and on June 30, 2010, the exchange rate was R\$1.80 per U.S.\$1.00.

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

| | Period-end | Average for Period | Low | High |
|--|---------------------------------|-----------------------|------------|------------|
| | (<i>reais</i> per U.S. dollar) | | | |
| Fiscal Year Ended: | | | | |
| April 30, 2005..... | R\$ 2.5313 | R\$ 2.8450 | R\$ 2.5195 | R\$ 3.2051 |
| April 30, 2006..... | 2.0892 | 2.2841 | 2.0892 | 2.5146 |
| April 30, 2007..... | 2.0339 | 2.1468 | 2.0231 | 2.3711 |
| April 30, 2008..... | 1.6872 | 1.8283 | 1.6575 | 2.1124 |
| March 31, 2009(1)..... | 2.3152 | 2.1238 | 1.6215 | 2.5004 |
| March 31, 2010..... | 1.7810 | 1.7852 | 1.7637 | 1.8231 |
| Month Ended: | | | | |
| April 30, 2010..... | 1.7306 | 1.7566 | 1.7306 | 1.7806 |
| May 31, 2010..... | 1.8167 | 1.8132 | 1.7315 | 1.8811 |
| June 30, 2010..... | 1.8015 | 1.8065 | 1.7663 | 1.8658 |
| July 31, 2010..... | 1.7572 | 1.7696 | 1.7525 | 1.8006 |
| August 31, 2010..... | 1.7560 | 1.7596 | 1.7489 | 1.7731 |
| September 30, 2010..... | 1.6942 | 1.7190 | 1.6942 | 1.7441 |
| October 31, 2010..... | 1.7014 | 1.6835 | 1.6554 | 1.6882 |
| November, 2010 (through November 3, 2010)..... | 1.6937 | 1.6990 | 1.6937 | 1.7044 |

Source: Central Bank.

(1) Reflects exchange rates for transition fiscal year 2009.

SUMMARY

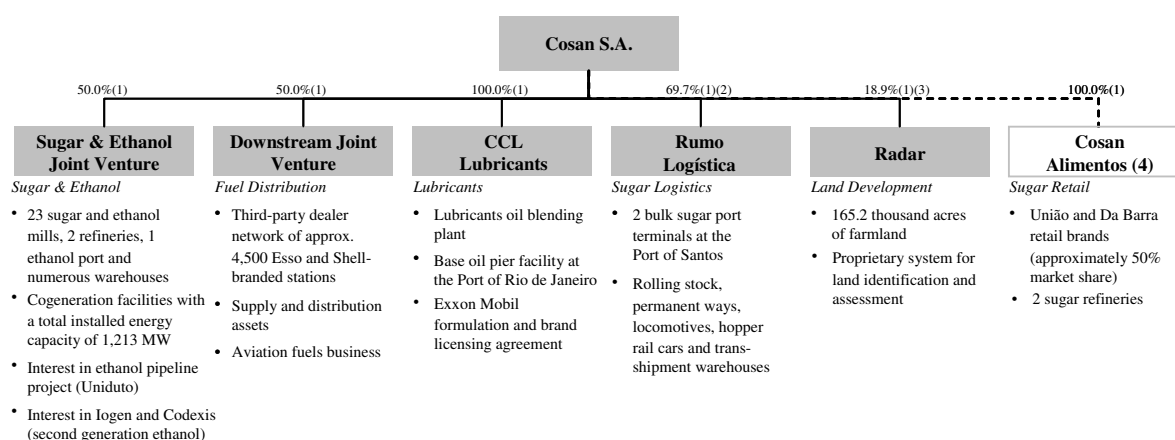
This summary highlights information contained elsewhere in this offering memorandum. This summary may not contain all the information that may be important to you, and we urge you to read this entire offering memorandum carefully, including the “Risk Factors,” our consolidated financial statements and notes to those statements, included elsewhere in this offering memorandum, and the annual report of Cosan Limited on Form 20-F for the fiscal year ended March 31, 2010 contained in Annex I to this offering memorandum.

Overview

We are the world’s largest sugar and ethanol producer on a combined basis and the only company to be fully vertically integrated across the sugarcane value chain, enjoying leading market positions in all of our main activities, including: (1) the production, marketing and export of sugar and ethanol and the cogeneration of electricity from sugarcane bagasse, including through our subsidiary Cosan Açúcar e Álcool S.A., or CAA, (2) the distribution of fuels in the Brazilian market and manufacturing and distribution of lubricants in Brazil through our subsidiary CCL, (3) providing logistics services for the transportation of sugar, including truck and rail transportation as well as port loading services through our subsidiary Rumo, and (4) agricultural land development through our strategic investment in Radar.

On August 25, 2010, we entered into a definitive agreement providing for the creation of the Joint Venture with Shell, one of the world’s largest independent oil and gas companies in terms of market capitalization, operating cash flow and oil and gas production. The Joint Venture would combine our sugar and ethanol businesses, energy cogeneration business, fuel distribution and retail businesses and our interests in certain ethanol logistics facilities at the Port of Santos with Shell’s Brazilian fuel distribution and retail businesses, its Brazilian aviation fuel business and its interest in certain companies involved in, among other things, the research and development of enzymes and the conversion of biomass into ethanol. The transaction also contemplates a cash contribution from Shell to the Joint Venture of approximately U.S.\$1.6 billion over a two-year period, which, if consummated, would further consolidate our position as the world’s leading integrated bio-energy company, see “Our Pending Joint Venture.” The formation of the Joint Venture is expected to occur in the first half of 2011 and is subject to customary closing conditions and receipt of required regulatory approvals.

Following the consummation of our proposed Joint Venture with Shell, we will operate the following businesses: the sugar and ethanol joint venture and the downstream fuel joint venture, our current sugar logistics business (Rumo), our lubricants business (currently a division of CCL), and the agricultural land development business (Radar), as set forth in the chart below:



(1) Total economic ownership interest.

(2) Indirect ownership interest (through Cosanpar).

(3) Cosan has the right to exercise significant influence on Radar’s operations.

(4) Pre- operational and subject to successful negotiation between Shell and Cosan on brand valuation and refined sugar transfer price..

Joint Venture

We will combine our sugar and ethanol, energy cogeneration, fuel distribution and retail fuel marketing businesses and our interests in certain ethanol logistics facilities at the Port of Santos with Shell's Brazilian fuel distribution and retail business, its Brazilian commercial aviation and marine fuels business, its equity interest in two companies (Iogen Corp. and Codexis, Inc.) involved in the research and development of enzymes and the conversion of biomass into ethanol, and a capital contribution from Shell resulting in cash proceeds to the Joint Venture of approximately U.S.\$1.6 billion over a two-year period.

We will not contribute to the proposed Joint Venture our lubricants manufacturing and marketing business, sugar logistics business, land prospecting and development business, right to conduct our own sugar trading business globally and our right to sugar retail brands. Cosan's existing sugar retail brands will, at Cosan's election, either be used in a retail sugar business to be operated by Cosan (to the extent negotiated and agreed with Shell before the closing of that transaction) or, failing any such agreement, be licensed to the proposed Joint Venture on a fair market value basis. Shell and its affiliates will not contribute to the proposed Joint Venture their exploration and production, chemicals, gas and power businesses in Brazil, lubricants manufacturing and marketing business, trading business and the "Shell" brand (which will be licensed to the proposed Joint Venture for use in its downstream business, including retail in Brazil, as agreed).

The formation of the Joint Venture is expected to occur in the first half of 2011 and is subject to customary closing conditions, including obtaining necessary regulatory approvals, the absence of a material adverse change for each party, and certain other matters. We cannot guarantee that the Joint Venture will be consummated. See "Risk Factors—Risks Relating to the Joint Venture—We have entered into a definitive agreement to form a Joint Venture with Shell to further develop our sugar and ethanol and fuel distribution businesses. We cannot guarantee that the Joint Venture will be consummated or that it will be successful."

Sugar & Ethanol

We are the largest sugar producer in Brazil and the third largest sugar producer in the world, having sold 4.1 million tons of sugar in fiscal year 2010 and 0.9 million tons in the three-month period ended June 30, 2010, as well as the largest exporter of sugar in the world, having exported 3.1 million tons and 0.6 million tons in the same periods, respectively. We are also the largest ethanol producer in Brazil and the second largest ethanol seller in the world, having sold 2.1 billion liters in fiscal year 2010 and 0.4 billion liters in the three-month period ended June 30, 2010, and the largest exporter of ethanol in the world, having exported 0.6 billion liters and 0.4 billion liters in the same periods, respectively.

| Sugar & Ethanol Highlights: | For Twelve Months | For the | For Twelve Months | For the Three-Month Periods | |
|--|--------------------------|---------------------|--------------------------|------------------------------------|-------------|
| | Ended March 31, | Eleven-Month | Ended April 30, | Ended June 30, | |
| | 2010 | Period Ended | 2008 | 2010 | 2009 |
| | | March 31, | | | |
| Crushed sugarcane (million tons) | 50.3 | 42.6 | 40.3 | 19.9 | 17.5 |
| Sugar volume sold (thousand tons)..... | 4,134.6 | 3,051.7 | 3,147.1 | 932.4 | 988.5 |
| Ethanol volume sold (million liters) | 2,147.5 | 1,495.1 | 1,568.4 | 454.4 | 756.7 |
| Net sales (U.S.\$ million) (BR GAAP)..... | 2,746.5 | 1,487.0 | 1,394.2 | 651.4 | 534.6 |

Our production is based on sugarcane, the most competitive and viable feedstock for sugar and ethanol because of its low production cost and high energy efficiency ratio relative to other energy sources, such as corn and sugar beet. We are the largest grower and processor of sugarcane in the world, having crushed 50.3 million tons of sugarcane in fiscal year 2010 harvested from approximately 572,000 hectares, of which approximately 60% is planted and harvested on land leased by us and approximately 40% is sourced from third-party suppliers. For the three-month period ended June 30, 2010, we crushed 19.9 million tons of sugarcane.

For our sugar and ethanol operations, as of June 30, 2010, we operated 23 mills including two greenfields, four refineries, two port facilities and numerous warehouses. All of these facilities are located in the Center-South region of Brazil, which is one of the world's most productive sugarcane regions primarily because of its favorable soil, topography and climate, nearby research and development organizations and infrastructure facilities. We have experienced significant growth in our sugar and ethanol operations both organically and through acquisitions (primarily), having expanded our sugarcane crushing capacity by approximately 150.0% from approximately 24.8 million tons in May 2004 to approximately 62.0 million tons as of June 30, 2010.

Fuel Distribution

We are one of the leading fuel distribution companies in Brazil, engaged in sourcing, storing, blending and distributing primarily gasoline, ethanol, diesel and fuel oil through our retail network of 1,710 Esso-branded stations as well as to industrial and wholesale clients. We have an estimated 5.3% market share in Brazil in terms of volume sold of fuel in 2009, according to the ANP. In fiscal year 2010, we recorded sales of U.S.\$5.1 billion of fuels and for the three-month period ended June 30, 2010, we recorded sales of U.S.\$1.4 billion of fuels.

| Fuel distribution Highlights: | For Twelve Months Ended March 31, | For the Four-Month Period Ended March 31, | For the Three-Month Periods Ended June 30, | |
|--|--|--|---|-------------|
| | 2010 | 2009(1) | 2010 | 2009 |
| Service stations (eop) | 1,710 | 1,590 | 1,737 | 1,601 |
| Fuel sold (million liters) | 5,490.6 | 1,681.2 | 1,438.3 | 1,386.4 |
| Net sales (U.S.\$ million) (BR GAAP) | 5,057.0 | 1,443.5 | 1,363.0 | 1,056.0 |

Our retail station network is strategically concentrated in urban areas with higher population density, thus enabling us to have a high throughput per station, particularly in the South and Southeast regions of Brazil, where our fuel sales amounted to 2.4 billion liters (9.9% market share of the Sindicom companies) and 1.0 billion liters (10.2% market share of the Sindicom companies) in fiscal year 2010, respectively, as compared to 1.1 billion liters (6.6% market share of the Sindicom companies) and 3.1 billion liters (6.4% market share of the Sindicom companies) in 2008, respectively, according to Sindicom. The South and Southeast regions are the largest markets in Brazil, accounting for 20.3% and 49.0% in fiscal year 2010, respectively, of the Brazilian fuel market in terms of volume sold through Sindicom as compared to 17.3% and 49.6% in 2008, respectively, according to Sindicom. If the proposed Joint Venture with Shell is consummated, we believe that the Joint Venture would result in the third largest fuel distributor in Brazil, see "Our Pending Joint Venture."

Cosanpar, our subsidiary through which we acquired CCL, in which we currently conduct our lubricants and fuel distribution businesses, recorded goodwill of R\$1,415.4 million as of March 31, 2009. On June 23, 2009, Cosan merged Cosanpar into CCL. As a result, based on the advice of legal counsel, we amortize, for tax purposes, the goodwill registered by Cosanpar following the merger. We believe that the potential tax benefit to us from the merger amounts to approximately R\$500 million over a five-to-ten year period, equivalent to 34% of the total amount of goodwill, to the extent credited in full. Cosan is entitled to receive preferential dividends from the Joint Venture equivalent to the amount of any tax savings resulting from the amortization of goodwill it contributes to the Joint Venture. See "Our Pending Joint Venture—Dividend Policy."

Energy Cogeneration

We are the world's largest producer of energy from sugarcane bagasse. We currently have an installed energy capacity of 828 MW per year from our 23 plants, out of which six delivered energy to the Brazilian energy grid in fiscal year 2010. We have six additional energy cogeneration projects that will become operational between 2010 and 2012. We estimate that by the end of 2012, we will have a total installed energy capacity of 1,213 MW, out of which 869 MW will come from certain of our plants that will sell excess energy to the 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.

| Energy Cogeneration Highlights: | For Twelve Months | For the Eleven-Month | For the Three-Month Periods | |
|---|-------------------|------------------------|-----------------------------|-------|
| | Ended March 31, | Period Ended March 31, | Ended June 30, | |
| | 2010 | 2009 | 2010 | 2009 |
| Energy sold (GWh)..... | 596.0 | 33.0 | 301.8 | 171.5 |
| Net sales (U.S.\$ million) (BR GAAP)..... | 50.1 | 7.5 | 29.8 | 14.4 |

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 fiscal year 2010 and the three-month period ended June 30, 2010, we sold 596.0 GWh and 301.8 GWh, respectively, of energy to third parties. Our primary customers are utility companies, which together accounted for 41.7% of our cogeneration sales in fiscal year 2010 and 33.9% in the three-month period ended June 30, 2010. We sold our remaining excess electric energy through energy auctions.

Sugar Logistics

Our sugar logistics operations are operated through Rumo, which we believe offers an integrated and cost-competitive logistics solution to us and to other sugar producers located in the Center-South of Brazil by transporting sugar from the mill by truck or rail to be loaded and stored in our two bulk sugar port terminals. Rumo also offers sugar warehousing services.

| Sugar Logistics Highlights: | For Twelve Months | For the | For Twelve Months | For the Three-Month Periods | |
|---|-------------------|--------------|-------------------|-----------------------------|---------|
| | Ended March 31, | Eleven-Month | Ended April 30, | Ended June 30 | |
| | 2010 | Period Ended | 2008 | 2010 | 2009 |
| | | March 31, | | | |
| Port elevation volume (thousand tons) | 8,124.0 | 3,478.8 | 3,899.7 | 2,265.0 | 2,084.0 |
| Net sales (U.S.\$ million) (BR GAAP)..... | 84.8 | 26.9 | 28.1 | 33.7 | 18.9 |

In fiscal year 2010, Rumo began to transport sugar by truck and rail for ourselves and other sugar producers. Rumo is also the owner of two bulk sugar port terminals at the Port of Santos, which, on a combined basis, are the largest bulk sugar port terminal in the world, with a current annual combined loading capacity of 10 million tons, having loaded 8.1 million tons in fiscal year 2010 and 2.3 million tons in the three-month period ended June 30, 2010. We are currently investing in this sugar port terminal to add an additional wharf to increase its capacity from the present capacity of 10 million tons to 18 million tons by 2014. After this expansion, this port terminal will have the capacity to support 70% of the volume exported by the sugar producers of the Center-South region of Brazil.

In order to expand its operations, on March 9, 2009, Rumo signed a long-term agreement with América Latina Logística S.A., or ALL, agreeing for ALL to provide for the transportation of raw sugar and other sugar derivatives and the expansion of ALL's rail transport capacity through an investment by Rumo of up to R\$1.3 billion in a rail transportation system to be operated by ALL, including rolling stock and permanent ways, modern locomotives and hopper railcars and trans-shipment warehouses. In return, ALL will provide transport services, guaranteeing to Rumo (1) a minimum availability of transportation capacity reaching 1.09 million tons per month during the sugar season starting in the fourth year, (2) competitive tariffs to sugar producers compared to truck transportation alternatives available to them, (3) project management in connection with the planned investments, and (4) payment of a tariff per ton of sugar transported for the investments undertaken by Rumo, limited to an agreed maximum.

To finance these capital expenditures, Rumo has contracted R\$986 million of long-term credit facilities from BNDES. In addition, on September 2, 2010, Rumo closed a private placement in which it raised R\$400.0 million in primary proceeds from Gávea Investimentos and TPG Capital in exchange for an aggregate 25.0% interest of the then issued and outstanding shares of Rumo. We believe this recent equity capitalization, together with the financing contracted with BNDES, are sufficient to meet Rumo's R\$1.3 billion investment plan.

Lubricants

We are the third largest lubricants player in Brazil by volume of liters sold as of May 31, 2010. In fiscal year 2010, our lubricant operations sold a total of 130.8 million liters of lubricants. For the three-month period ended June 30, 2010, we sold a total of 42.8 million liters of lubricants, corresponding to an estimated market share of 13.8%, according to Sindicom. We sell passenger vehicle lubricants, commercial vehicle lubricants and industrial lubricants under the “Mobil” and “Esso” brands, among others, both of which are licensed to us until 2018 by ExxonMobil. We use distributors and Esso-branded retail stations to sell our lubricants products, as well as direct sales to industrial customers. We capture significant synergies by selling through our distributors’ network to our retail service station network, to industrial and wholesale customer accounts and to car and motorcycle dealerships.

Our lubricant operations consist of a wholly-owned lubricants oil blending plant, located in Rio de Janeiro, with annual production capacity of 1.4 million barrels of lubricants per year, including capacity for 48,000 barrels of grease per year for fiscal year 2010. In addition, we have a pier facility at our lubricants oil blending plant in Rio de Janeiro that allows us to import base stocks.

| Lubricants Highlights: | For Twelve Months Ended March 31, | For the Eleven-Month Period Ended March 31, | For the Three-Month Periods Ended June 30, | |
|--|--|--|---|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Volume of lubricants sold (thousand liters)..... | 130.8 | 34.3 | 42.8 | 29.7 |
| Net sales (U.S.\$ million) (BR GAAP)..... | 339.8 | 93.0 | 109.8 | 72.5 |

Agricultural Land Development

Our agricultural land development operations are run through our strategic investment in Radar, a company focused on maximizing earnings from agricultural real estate assets by leveraging our unique market intelligence to acquire rural properties with high expected appreciation potential for subsequent leasing and/or resale. Radar also issued shares in a private placement. Our portfolio as of June 30, 2010, consisted of 165,222 acres, with 117,166 acres harvested for sugarcane. In fiscal year 2010 and in the three-month period ended June 30, 2010, Radar recorded U.S.\$14.5 million and U.S.\$4.8 million in lease revenues, in the same periods respectively. We plan to further invest equity in Radar to enable it to further expand its land portfolio.

Competitive Strengths

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

Integrated platform extracting synergies across the sugarcane value chain

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

- *Sugar and Ethanol:* as the world’s largest grower of sugarcane and one of the largest fuel distributors in Brazil, we benefit from our superior visibility on sugar and ethanol price formation, allowing us to better manage our decisions with respect to our sugar versus ethanol production mix and our inventory levels;
- *Fuel distribution:* our fuel distribution terminals are strategically located near our mills, allowing us to significantly optimize our logistics network by using our mills as distribution terminals and vice versa.

Additionally, as a fuel distributor we are able to (1) benefit from a more stable cash flow stream to help offset fluctuations in sugar and ethanol prices and (2) capture potential margin gains from declines in ethanol prices during harvest periods, as ethanol price changes tend to be passed on to consumers gradually. Finally, our pier facility at the Port of Santos allows us to be opportunistic and take advantage of favorable “market windows” to import diesel and arbitrage raw material prices;

- *Sugar Logistics*: through Rumo, we service the logistical needs of sugar exporters in the Center-South region of Brazil, which allows us to further enhance our market intelligence, maximize port utilization and optimize our logistical, distribution and storage activities, reducing our storage and transportation costs. Additionally, our sugar logistics business adds a second source of generally more stable cash flows;
- *Energy Cogeneration*: all of our mills are electric energy self-sufficient, reducing our dependence and exposure to energy prices and providing us an additional stream of generally stable cash flows; and
- *Land Development*: through Radar, we leverage our unique market intelligence to opportunistically earn revenues and benefit from potential capital appreciation from agricultural real estate.

Diversified portfolio of assets, combining our sugar and ethanol business with more stable and resilient cash flow streams

We have taken key strategic steps in recent years by vertically integrating our business and diversifying into activities with synergies that generally provide more stable cash flow streams as compared to sales of sugar and ethanol. During the three-month period ended June 30, 2010, our generally less cyclical businesses (CCL, Rumo and energy cogeneration) collectively contributed U.S.\$1,559.0 million in net sales (BR GAAP), or 69.8% of our consolidated net sales for the period, before intercompany eliminations and U.S. GAAP adjustments. We expect the contribution of these businesses to our consolidated results and cash flow origination to continue to grow as our investments in sugar logistics and energy cogeneration mature further. Additionally, we expect our revenues from our fuel distribution business to increase significantly following the conclusion of our proposed Joint Venture with Shell, see “Our Pending Joint Venture.” We believe this diversification provides us with a unique competitive advantage in our industry, providing a generally more stable stream of cash flows when sugar prices are depressed.

Undisputed leadership in the markets where we operate

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

- *Sugar & Ethanol*: we are the largest grower and processor of sugarcane in the world, having crushed 50.3 million tons in fiscal year 2010, approximately twice the volume crushed by our closest competitor. We are the largest sugar producer in Brazil and the third largest sugar producer in the world, having produced 3.5 million tons of sugar in fiscal year 2010, and the largest exporter of sugar in the world, having exported 3.1 million tons in the same period. We are also the largest seller of refined sugar in Brazil, with a market share of approximately 50% through our brands União and Da Barra. With respect to ethanol, we are the largest producer in Brazil and the fifth largest in the world, having produced 1.8 billion liters of ethanol in fiscal year 2010, and the largest exporter in the world, having exported 0.6 billion liters of ethanol in the same period;
- *Fuel distribution*: we are a leading fuel distributor in Brazil, with an estimated 5.3% market share in terms of volume sold in 2009, according to ANP, and we expect our Joint Venture to be the third largest fuel distributor following the conclusion of our proposed Joint Venture with Shell, see “Our Pending Joint Venture;”
- *Sugar Logistics*: we own two bulk sugar port terminals at the Port of Santos, which, on a combined basis, are the largest bulk sugar port terminal in the world with a current annual combined loading capacity of 10 million tons, and Rumo is currently undertaking one of the largest capital expenditure project in rail network expansion in Brazil to enable Rumo to become the world’s largest sugar logistics company;

- *Energy Cogeneration:* we are the world's largest producer of energy from sugarcane bagasse. We estimate that by the end of 2012 we will have a total installed energy capacity of 1,213 MW, out of which 869 MW will be sold as excess energy to the grid;
- *Lubricants:* we are the third largest lubricants player in Brazil as of May 2010, selling under the "Mobil" and "Esso" brands, among others, both of which are licensed to CCL until 2018 by ExxonMobil; and
- *Land Development:* we are one of the largest private landowners in Brazil, with a portfolio of approximately 165,222 acres, as of June 30, 2010.

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

Sugar prices, ethanol prices and 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 our sugar price and exchange rate exposures, our hedging mechanisms under use, margin calls (cash at risk), counterparty risk and stress scenarios.

Additionally, we believe that we were one of the first sugar and ethanol producers in Brazil to have accessed the international debt capital markets, which we first did in 2004, and have since issued a total of four cross-border debt offerings in an aggregate principal amount of U.S.\$1.4 billion in debt raised. Since 2004, we have also raised additional equity through the initial public offerings of Cosan S.A., our parent company Cosan Limited, a private placement of Cosan Limited shares, a private placement of Radar shares and a private placement of Rumo shares, collectively amounting to U.S.\$2.2 billion in equity capital raised. We have also developed a long-term business relationship with Brazil's national development bank BNDES, from which we had a total of U.S.\$741.7 million indebtedness outstanding as of June 30, 2010.

Our net debt, equivalent to our current and non-current debt, net of cash and cash equivalents, marketable securities and Brazilian Treasury bills, or CTNs, recorded as other non-current assets amounted to U.S.\$2,665.0 million as of June 30, 2010 or 3.0x our last twelve months EBITDA for the period ended June 30, 2010. As of June 30, 2010, 86.1% of our consolidated indebtedness is long-term. We expect our financial profile to improve as a result of this offering, as we plan to use the net proceeds we raise in this offering to refinance a portion of our short- and medium-term debt. Finally, we expect our financial profile to improve further following the conclusion of our proposed Joint Venture with Shell, after giving effect to a proposed cash contribution of U.S.\$1.6 billion to be contributed by Shell upon consummation of our proposed Joint Venture, see "Our Pending Joint Venture."

Strong strategic business relationships

We have developed important strategic relationships over the years, including with the Kuok Group (one of the largest agricultural-focused conglomerates in Asia) and Sucres et Denrées, or Sucden (one of the two largest sugar trading companies in the world), both of which are currently shareholders of Cosan. We have also developed strong business relationships with ExxonMobil, from which CCL licenses the "Esso" brand for fuels retail use until 2013 and "Mobil" and "Esso" brands for lubricants until 2018, and with some of our leading customers, such as Petrobras Distribuidora S.A. and Shell in the ethanol business and Sucden, Tate & Lyle International and Coimex Trading Ltd. in the sugar business. More recently, Cosan entered into a definitive agreement with Shell for the proposed creation of the Joint Venture, see "Our Pending Joint Venture."

Strategically located assets with significant geographic overlap

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

- *Sugar & Ethanol:* of our 23 mills, 21 are located in the State of São Paulo operating in clusters due to their proximity. The State of São Paulo is one of the world's most productive sugarcane regions, primarily because

of its favorable soil, topography and climate, nearby research and development organizations and infrastructure facilities. The average distance from the fields on which our sugarcane is harvested to our mills is approximately 25 kilometers (or approximately 16 miles). The proximity of our milling facilities to the land on which our sugarcane is cultivated reduces our transportation costs and enables us to process the sugarcane within 48 hours of harvesting, thereby maximizing sucrose recovery;

- *Fuel distribution:* CCL's distribution assets consist of 48 terminals – 10 owned by us, four joint ventures operated by us, 15 joint ventures operated by others and 19 terminals in which we have throughput arrangements – strategically concentrated in the Southeast and South regions near Brazil's major fuel markets;
- *Sugar Logistics:* Rumo's services follow the geographic footprint of ALL's rail network, which is concentrated in the Center-South region of Brazil and the State of São Paulo in particular, where 171 mills out of Brazil's 428 mills were located according to UDOP and UNICA as of 2008/2009. We believe there are a total of 95 mills within a median radius of less than 160 kilometers from one of our transportation hubs and/or trans-shipment centers, and therefore, these mills are potential clients for our sugar transportation services. Additionally, our bulk sugar port terminals are located in the city of Santos, which is located an average distance of 600 kilometers (approximately 370 miles) from our mills; and
- *Lubricants:* we own a lubricants oil blending plant in Rio de Janeiro with a total blending annual capacity of 1.4 million barrels of lubricants per year and a pier facility at such plant that allows us to import base stocks.

Experienced and professional management team

Our management team has considerable industry experience. In addition, unlike many of our domestic competitors in the sugar and ethanol industries, we have completed the shift from a family-operated business to a company managed by professionals with significant experience in the sugar and ethanol business. Our fuel distribution and lubricants business is led by a management team with a proven track record in the fuel distribution and lubricant markets who previously worked for many years for the ExxonMobil group. Our fuel distribution and lubricants business management team of 30 executives possesses an average of 20 years of experience in the industry. Additionally, key executive officers from Shell's management team responsible for its Brazilian fuel and retail operations are expected to join the Joint Venture upon consummation of our proposed Joint Venture with Shell, further strengthening our management team.

Our Strategy

Pending the consummation of our proposed Joint Venture with Shell, we intend to focus on achieving sustainable and profitable growth, further reducing our operating costs and building on our competitive strengths in order to expand our industry leadership. The principal components of our strategy are:

Sugar and Ethanol

- *Seek further productivity improvements and cost reductions.* We plan to enhance our productivity through investments in the development of new varieties of sugarcane, more efficient agricultural, industrial and logistics processes, expanded satellite monitoring of sugarcane, increased mechanization of harvests, emphasis on employee training programs and improvements in information flows and internal control systems;
- *Increase sales of value-added sugar products.* We plan to leverage our sales of value-added products under our União and Da Barra brands, such as chocolate powder, cake mixes and breakfast products, by having dedicated sales and marketing teams to execute our commercial strategy and manage our brand portfolio, targeting both retail as well as industrial and foodservice clients;

- *Participate in the consolidation of the sugar & ethanol sector.* The Brazilian sugar and ethanol sector has been consolidating in recent years; however, it still remains highly fragmented. We closely monitor acquisition opportunities in the sector and intend to consider selective acquisitions and partnerships that offer the right strategic fit for our operations;
- *Take advantage of future ethanol export opportunities.* We expect to benefit from the growth of global ethanol exports emerging from the anticipated liberalization of trade barriers that have traditionally limited our access to some major markets, as well as mandatory blending requirements to use ethanol as an additive to gasoline by establishing new commercial and distribution partnerships with international industry players to expand and diversify our client base;
- *Focus on environmental and social awareness.* We are committed to acting as an environmentally and socially conscious company. We continue to invest in the mechanization of our harvests, which is not only cost-efficient, but also reduces our emission levels and decreases the burning of sugarcane fields for manual harvesting. We continue to improve and develop new training programs for our employees, as well as programs to reduce workforce accidents. We continuously seek 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; and
- *Participate in the development of second generation technologies for ethanol.* We plan to implement Shell's second generation ethanol technology following the conclusion of our proposed Joint Venture with Shell, which we expect will result in enhanced yields from improved yeast in our ethanol operations, see "Our Pending Joint Venture."

Fuel distribution

- *Invest selectively in dealer conversion.* We converted 89 retail stations in fiscal year 2010 into the "Esso" brand and plan to continue investing in the conversion mainly of non-branded stations. We expect the majority of our new retail stations to be added in the Southeast region of Brazil, which has higher exposure to gasoline and ethanol consumption and offers the potential for greater synergies with us and our logistics infrastructure;
- *Continue to maximize operating efficiencies.* We will continue to focus on improving the efficiency of our operations in the fuel distribution business by focusing on two key areas: (1) exploring synergies among our businesses and (2) maximizing the utilization of our retail stations. We continuously monitor the profitability and use of each service station in our retail network and eliminate underperforming sites, particularly in regions we consider less strategic; and
- *Integrate with Shell's operations.* We plan to pursue all the synergies envisioned following the closing of our proposed Joint Venture with Shell, see "Our Pending Joint Venture."

Energy Cogeneration

- *Explore the cogeneration potential of our mills.* We currently have installed energy capacity of 248 MW per year from two plants and plan to bring six additional energy cogeneration projects online between 2010 and the end of 2012. We plan to have cogeneration systems in 12 of our 23 existing mills to reach a total installed energy of 1,213 MW in 2012, out of which 869 MW will be sold as excess energy to the grid; and
- *Start generating energy from sugarcane leaves.* Once the Joint Venture is completed, we plan to build on Shell's technical, operational and commercial support for our energy cogeneration activities and developing processes to generate electricity from sugarcane leaves.

As for our businesses that will not be contributed to the Joint Venture, our strategy will be guided by the following key elements:

Sugar Logistics (Rumo)

- *Invest in our railroad operations.* We have begun to invest R\$1.3 billion in rolling stock (through ALL), permanent ways and trans-shipment warehouses. We plan to use rail to transport the majority of the sugar we produce from our mills to our facility at the Port of Santos, which we expect to significantly decrease our transportation costs; and
- *Integrate our port terminals.* We have begun to integrate our two terminals at the Port of Santos, creating the world's largest bulk sugar port terminal. After this integration and completion of the construction of a wharf covering the terminal, we expect our total annual loading capacity to increase from 10 million tons to 18 million tons.

Lubricants

- *Focus on higher margin products.* Premium products, such as synthetic lubricants (i.e., Mobil 1 RACING 2T and Mobilith SHC 007), represented approximately 72% of our total lubricant volume sold in calendar year 2009, a significant increase compared to approximately 64% in calendar year 2008. We plan to continue improving our product mix and margins by increasing our focus on premium high margin products. We plan to continue investing in marketing, training our employees and exclusive distributors, developing new innovative products and delivering superior services.

Agricultural Land Development

- *Expand our land portfolio.* We plan to further invest equity in Radar to enable it to expand its land portfolio and maximize earnings from agricultural real estate by acquiring properties with high expected appreciation potential for subsequent leasing and/or resale.

Joint Venture

If consummated, the Joint Venture will consist of three different divisions to be organized into three separate legal entities: a sugar and ethanol joint venture, a downstream fuels joint venture and a management company. The sugar and ethanol joint venture will conduct the production of sugar and ethanol and cogeneration activities; the downstream fuels joint venture will conduct the supply, distribution and sale of fuels in Brazil; and the Management company will allocate the Joint Venture's management team and facilitate the building of a unified corporate culture for the Joint Venture. See "Our Pending Joint Venture."

The Joint Venture, if consummated, will enhance our position as a leading integrated and diversified energy company. Upon completion, the sugar and ethanol joint venture, based upon our respective existing production and market standing, is expect to be:

- the largest grower and processor of sugarcane in the world, with 62.0 million tons of annual crushing capacity through 23 mills in Brazil;
- the largest sugar producer in Brazil and the third largest sugar producer in the world, having sold 4.1 million tons in fiscal year 2010, and the largest ethanol producer in Brazil and the second largest in the world, having sold 2.1 billion liters in fiscal year 2010; and
- the largest producer of cogeneration energy from sugarcane biomass in the world, which includes our existing cogeneration projects at and our cogeneration investments in six additional mills to reach a total installed capacity of 1,213 MW by the end of 2012, out of which 869 MW as excess energy to be sold to the grid.

The downstream fuels joint venture brings us and Shell, the two most efficient downstream operators in Brazil as measured by throughput per retail service station, together, and provides a strong potential for enhanced logistics, operational and commercial synergies. Upon completion, the downstream fuels joint venture, based upon our respective existing production and market standing, is expect to have:

- distributed a combined approximately 17.5 billion liters of fuels in fiscal year 2010 through a combined network of approximately 4,500 retail sites and approximately 49 depots, with a national footprint that has strong exposure to areas of high population density;
- generated combined fuel distribution revenues estimated to be approximately R\$40 billion in fiscal year 2010; and
- ranked, on a combined basis, as Brazil's third largest fuel distributor, with a 22.4% market share (including aviation and marine fuels) in fiscal year 2010.

The Joint Venture will further increase our vertical integration and also further enhance our superior visibility on price formation, supply and demand and ability to adjust our inventory levels accordingly, particularly in the ethanol value chain. We expect to continue to supply ethanol to a diversified client base and to purchase ethanol from multiple suppliers, including from our sugar and ethanol joint venture on market terms. We intend to establish a joint trading desk that will provide us with enhanced visibility into the ethanol market. This visibility, combined with our ability to import fuel products through our pier facility in the Port of Santos, will allow us to perform arbitrage operations and remain competitive.

We expect the Joint Venture, if consummated, to benefit from strong synergies and, once completed, our key short-term goal will be integrating and implementing the Joint Venture operations to achieve these synergies.

We cannot guarantee that the Joint Venture will be consummated and, if consummated, we cannot guarantee that the Joint Venture will be successful. See "Risk Factors—Risks Relating to the Joint Venture—We have entered into a definitive agreement to form a Joint Venture with Shell to further develop our sugar and ethanol and fuel distribution businesses. We cannot guarantee that the Joint Venture will be consummated or that it will be successful."

THE OFFERING

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

| | |
|------------------------------|---|
| Issuer | Cosan Overseas Limited |
| Guarantors | Cosan S.A. Indústria e Comércio and Cosan Combustíveis e Lubrificantes S.A. upon consummation of the proposed Joint Venture between Cosan and Shell. |
| Notes offered | U.S.\$300,000,000 aggregate principal amount of 8.25% perpetual notes. |
| Issue price..... | 100.00% |
| Maturity date | The notes are perpetual notes with no fixed final maturity date and no sinking fund provision. |
| Interest payment dates | February 5, May 5, August 5 and November 5 of each year, commencing on February 5, 2011. |
| Interest | The notes will bear interest from November 5, 2010 at the annual rate of 8.25%, payable in arrears on each interest payment date. |
| Ranking | The notes will be unsecured and will rank equally with the other senior unsecured indebtedness we may incur. Prior to the consummation of the Joint Venture, the notes will be guaranteed on a senior unsecured basis by Cosan. The guarantee will rank equally in right of payment with the other unsecured indebtedness and guarantees of Cosan. The notes will be effectively junior to the secured indebtedness of Cosan to the extent of such security and to the liabilities of Cosan’s non-guarantor subsidiaries and jointly controlled companies. Under Brazilian law, holders of the notes will not have any claim whatsoever against our non-guarantor subsidiaries. |
| Guaranty | Cosan will fully and unconditionally guarantee, on an unsecured basis, all of the Issuer’s obligations pursuant to the notes and the indenture. Upon consummation of our proposed Joint Venture between Cosan and Shell, described in “Our Pending Joint Venture” and as set forth in “Description of the Notes—Covenants—Limitations and Restrictions on Cosan and its Subsidiaries—Notes Guaranty by CCL,” CCL will also fully and unconditionally guarantee, on an unsecured basis, all of the Issuer’s obligations pursuant to the notes and the indenture. |

| | |
|-------------------------------|---|
| Optional redemption..... | The notes may, at the option of the Issuer or Cosan be redeemed, in whole or in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, on any interest payment date on or after November 5, 2015; provided, however, that if the notes are redeemed in part, at least U.S.\$150 million in aggregate principal amount of the notes must remain outstanding following any partial redemption. |
| Tax redemption..... | The notes may, at the option of the Issuer or the guarantors, be redeemed, in whole but not in part, at 100% of their principal amount plus accrued interest and additional amounts, if any. See “Description of Notes—Redemption—Tax Redemption.” |
| Additional amounts | Payments by the Issuer or guarantors in the case of payments made by the guarantors, will be made without withholding or deduction for any Cayman Islands or Brazilian taxes as set forth under “Taxation.” The Issuer, or the guarantors in the case of payments made by 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 for Cayman Islands, Brazilian taxes been required, subject to certain exceptions set forth under “Description of Notes—Additional Amounts.” |
| 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 or the guarantors 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—Redemption—Repurchase of Notes upon a Change of Control.” |
| Covenants | The terms of the notes will limit Cosan’s and its subsidiaries’ ability to create liens and will permit Cosan or CCL (upon consummation of the Joint Venture) to consolidate or merge with, or transfer all or substantially all of its assets to, another person only if it complies with certain requirements. However, these limitations are subject to a number of important exceptions. See “Description of Notes—Covenants.” |

| | |
|---|--|
| Events of default..... | <p>The notes and the indenture will contain certain events of default, consisting of, among others, the following:</p> <ul style="list-style-type: none"> • failure to pay the principal when due or failure to pay interest in respect of the notes within 30 days of the due date for an interest payment; • failure to comply with our covenants, with such failure continuing for 60 days after written notice has been delivered to Cosan Overseas; • indebtedness of Cosan Overseas, any guarantor or significant subsidiary exceeding U.S.\$50.0 million not paid when due or accelerated; and • specified events of bankruptcy, liquidation or insolvency of Cosan or any of its subsidiaries. <p>For a full description of the Events of Default, see “Description of Notes—Events of Default.”</p> |
| Further issuances | <p>We may from time to time without notice to or consent of the holders of notes create and issue additional notes of the same series as the notes initially issued in this offering.</p> |
| Substitution of Issuer | <p>Cosan Overseas may, without the consent of the holders of the bonds and subject to certain conditions, be replaced and substituted by Cosan or any wholly-owned subsidiary of Cosan as principal debtor in respect of the bonds. See “Description of the Notes—Substitution of the Issuer.”</p> |
| Use of proceeds | <p>The net proceeds to us from the sale of the notes are estimated to be approximately U.S.\$298.2 million and will be primarily used to repay our short- and medium-term indebtedness, and any remaining net proceeds will be used for our general corporate purposes, including to strengthen our working capital position.</p> |
| Form and denomination; settlement | <p>Notes sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act will be in fully registered form without interest coupons attached, only in denominations of U.S.\$100,000 and in 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 Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme. 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</p> |

| | |
|---|--|
| | factors relating to clearance and settlement, see “Form of Notes.” |
| Transfer restrictions..... | The notes have not been registered under the Securities Act and are subject to certain restrictions on transfer. See “Transfer Restrictions.” |
| Listings..... | We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and admit to trading on the Euro MTF Market of the Luxembourg Stock Exchange. We cannot assure you, however, that this application will be accepted. |
| Governing law..... | The indenture and the notes will be governed by the laws of the State of New York. |
| Trustee, New York paying agent, transfer agent and registrar..... | The Bank of New York Mellon |
| London paying agent..... | The Bank of New York Mellon (London Branch) |
| Luxembourg listing, paying and transfer agent..... | The Bank of New York Mellon (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.” |

SUMMARY FINANCIAL AND OTHER INFORMATION

The following summary financial data has been derived from our consolidated financial statements. The financial statements as of and for the fiscal year ended March 31, 2010, the eleven-month period ended March 31, 2009, and the fiscal year ended April 30, 2008 have been audited by Ernst & Young Terco. The unaudited financial statements as of and for the three-month periods ended June 30, 2010 and 2009 were subject to limited review procedures by Ernst & Young Terco.

The following table presents summary historical consolidated financial and operating data for us for each of the periods indicated. You should read this information in conjunction with “Operating and Financial Review of Prospects” and our consolidated financial statements and related notes included with this offering memorandum. All amounts presented below and related to our financial statements are in accordance with U.S. GAAP, unless otherwise stated.

| | As of and For Twelve Months Ended March 31, | As of and For the Eleven-Month Period Ended March 31, | As of and For Fiscal Year Ended April 30, | As of and For the Three-Month Periods Ended June 30, | |
|--|---|--|---|---|-----------|
| | 2010 | 2009 | 2008 | 2010 | 2009 |
| | | Audited | | Unaudited | |
| (in millions of U.S.\$, except where otherwise indicated) | | | | | |
| Statement of Operations Data: | | | | | |
| Net sales (including adjustments and eliminations)..... | 8,283.2 | 2,926.5 | 1,491.2 | 2,233.8 | 1,720.3 |
| Cost of goods sold..... | (7,219.0) | (2,617.9) | (1,344.8) | (1,993.2) | (1,560.6) |
| Gross profit | 1,064.1 | 308.6 | 146.4 | 240.7 | 159.6 |
| Selling expenses..... | (470.3) | (213.3) | (168.6) | (122.7) | (102.1) |
| General and administrative expenses | (268.3) | (136.3) | (113.4) | (67.9) | (7.7) |
| Operating income (loss)..... | 325.5 | (40.9) | (135.7) | 50.1 | 49.9 |
| Other income (expenses): | | | | | |
| Financial income | 180.2 | — | 79.3 | 49.0 | 151.4 |
| Financial expenses..... | — | (374.7) | — | (108.8) | 66.1 |
| Gain on tax recovery program..... | 144.9 | — | — | — | — |
| Other | 34.3 | (2.3) | (3.7) | (0.1) | (7.9) |
| Income (loss) before income taxes, equity in income (loss) of affiliates and noncontrolling interest | 684.9 | (417.9) | (60.1) | (9.9) | 259.5 |
| Income taxes (expense)/benefit | (184.8) | 144.7 | 19.8 | (1.2) | (76.5) |
| Income (loss) before equity in income (loss) of affiliates and noncontrolling interest | 500.1 | (273.3) | (40.2) | (11.2) | 183.0 |
| Equity in income (loss) of affiliates | (10.3) | 6.1 | (0.2) | 0.6 | (1.7) |
| Noncontrolling interest in (net income) loss of subsidiaries..... | 2.9 | (0.0) | 0.9 | (1.9) | 3.7 |
| Net income (loss)..... | 492.8 | (267.1) | (39.6) | (12.6) | 185.0 |
| Balance Sheet Data: | | | | | |
| Cash and cash equivalents | 605.5 | 310.7 | 38.8 | 585.6 | 478.0 |
| Marketable securities | — | — | 558.8 | — | — |
| Inventories..... | 587.7 | 477.8 | 337.7 | 795.8 | 589.2 |
| Property, plant, and equipment, net..... | 3,997.8 | 2,101.8 | 1,885.1 | 4,059.1 | 3,022.4 |
| Goodwill | 1,289.6 | 803.3 | 688.4 | 1,289.4 | 1,379.6 |
| Total assets..... | 8,735.8 | 4,962.7 | 4,556.5 | 8,936.2 | 7,139.7 |
| Current liabilities | 1,186.5 | 1,013.6 | 357.3 | 1,361.4 | 1,230.1 |
| Estimated liability for legal proceedings and labor claims | 294.6 | 497.6 | 494.1 | 297.7 | 607.5 |
| Long-term debt | 2,843.0 | 1,247.0 | 1,246.1 | 2,915.0 | 2,095.7 |
| Equity attributable to shareholders of Cosan | 3,433.0 | 1,709.7 | 2,117.6 | 3,392.3 | 2,589.5 |
| Equity attributable to noncontrolling interest..... | 33.4 | 13.3 | 9.2 | 34.0 | 20.1 |

| | As of and For Twelve Months Ended March 31, | As of and For the Eleven-Month Period Ended March 31, | As of and For Fiscal Year Ended April 30, | As of and For the Three-Month Periods Ended June 30, | |
|---|---|--|---|---|---------|
| | 2010 | 2009 | 2008 | 2010 | 2009 |
| | Audited | | | Unaudited | |
| | (in millions of U.S.\$, except where otherwise indicated) | | | | |
| Capital stock | 2,420.0 | 1,945.7 | 1,513.0 | 2,420.0 | 2,115.3 |
| Total shareholders equity..... | 3,466.4 | 1,723.0 | 2,117.6 | 3,426.3 | 2,609.7 |
| Other Financial and Operating Data: | | | | | |
| Depreciation and amortization..... | 485.9 | 288.7 | 236.1 | 144.5 | 100.1 |
| Net debt (1) | 2,550.1 | 1,474.8 | 572.0 | 2,665.0 | 2,107.2 |
| Working capital (2)..... | 956.4 | 312.0 | 1,020.4 | 914.8 | 625.2 |
| Cash flow provided by (used in): | | | | | |
| Operating activities | 782.5 | 246.7 | 21.3 | 308.1 | 298.6 |
| Investing activities..... | (1,044.8) | (635.1) | (986.0) | (363.5) | (151.2) |
| Financing activities | 351.2 | 972.2 | 613.4 | 44.8 | (39.1) |
| Crushed sugarcane (in million tons)..... | 50.3 | 43.1 | 40.3 | 19.9 | 17.5 |
| Own sugarcane (in million tons)..... | 23.5 | 22.7 | 22.3 | 9.9 | 10.7 |
| Growers sugarcane (in million tons)..... | 26.8 | 20.4 | 18.0 | 10.0 | 6.8 |
| Sugar production (in thousand tons)..... | 3,513.0 | 3,179.2 | 3,241.0 | 1,268.0 | 1,163.0 |
| Ethanol production (in million liters)..... | 1,834.0 | 1,688.4 | 1,524.6 | 755.0 | 620.0 |

(1) Net debt consists of current and non-current debt, net of cash and cash equivalents, marketable securities and CTNs. Net debt is not a U.S. GAAP measure.

(2) Working capital consists of total current assets less total current liabilities.

The net sales of our sugar and ethanol, CCL and Rumo segments are reported in Brazilian GAAP. The table below presents a breakdown of our net sales:

| | For Twelve Months Ended March 31, | For the Eleven-Month Period Ended March 31, | For Fiscal Year Ended April 30, | For the Three-Month Periods Ended June 30, | |
|---|---|--|------------------------------------|---|----------------|
| | 2010 | 2009 | 2008 | 2010 | 2009 |
| | Audited | | | Unaudited | |
| | (in millions of U.S.\$) | | | | |
| Net sales (in U.S. GAAP): | U.S.\$ 8,283.2 | U.S.\$ 2,926.5 | U.S.\$ 1,491.2 | U.S.\$ 2,233.8 | U.S.\$ 1,720.3 |
| Sugar and ethanol net sales (in BR GAAP): | | | | | |
| Sugar sales..... | 2,882.9 | 1,561.1 | 1,482.6 | 701.8 | 563.0 |
| Ethanol sales..... | 1,810.0 | 900.4 | 781.8 | 462.7 | 314.1 |
| Energy cogeneration..... | 936.5 | 586.6 | 612.4 | 188.8 | 220.5 |
| Other sales..... | 50.1 | 7.5 | — | 29.8 | 14.4 |
| Other sales..... | 86.3 | 66.5 | 88.4 | 20.6 | 14.0 |
| CCL (fuel distribution and lubricants) net sales (in BR GAAP):..... | | | | | |
| Fuels | 5,436.2 | 1,549.4 | — | 1,495.7 | 1,137.5 |
| Lubricants..... | 5,057.0 | 1,443.5 | — | 1,363.0 | 1,056.0 |
| Other..... | 339.8 | 93.0 | — | 109.8 | 72.5 |
| Other..... | 39.5 | 12.9 | — | 22.9 | 9.0 |
| Rumo (sugar logistics) net sales (in BR GAAP): | | | | | |
| Port lifting | 84.8 | 26.9 | 28.1 | 33.7 | 18.9 |
| Transports..... | 76.2 | 26.9 | 28.1 | 28.7 | 18.4 |
| Other..... | 8.6 | — | — | 5.0 | 0.5 |
| Adjustments and eliminations: | (120.8) | (210.9) | (19.5) | 2.7 | 0.8 |

EBITDA is calculated as follows (unaudited):

| | For Fiscal Year | For the | For Fiscal Year | For the Three-Month Periods Ended | |
|--|-------------------------|--------------|-----------------|-----------------------------------|--------------|
| | Ended March 31, | Eleven-Month | Ended April 30, | June 30, | |
| | 2010 | Period Ended | 2008 | 2010 | 2009 |
| | | March 31, | | | |
| | (in millions of U.S.\$) | | | | |
| Net sales..... | 8,283.2 | 2,926.5 | 1,491.2 | 2,233.8 | 1,720.3 |
| Less: | | | | | |
| Cost of goods sold and services rendered..... | (7,219.0) | (2,617.9) | (1,344.8) | (1,993.2) | (1,560.6) |
| Selling expenses..... | (470.3) | (213.3) | (168.6) | (122.7) | (102.1) |
| General and administrative expenses and management fees..... | (268.3) | (136.3) | (113.4) | (67.9) | (7.7) |
| Other operating expenses..... | 34.3 | (2.3) | (3.7) | (0.1) | (7.9) |
| Add: | | | | | |
| Operating depreciation and amortization..... | 485.9 | 288.7 | 236.1 | 144.5 | 100.1 |
| EBITDA | <u>845.8</u> | <u>245.4</u> | <u>96.8</u> | <u>194.4</u> | <u>142.1</u> |

Impact of recent developments on Selected Unaudited Financial Information derived from our unaudited balance sheet as of June 30, 2010 and the income statement for the three-month period ended June 30, 2010, expressed in Brazilian reais and prepared in accordance with Brazilian GAAP

Our unaudited adjusted selected financial information presented below, which is based on our historical financial information as of and for the three-month period ended June 30, 2010, seeks to demonstrate certain impacts on selected financial information of our proposed Joint Venture with Shell assuming that we consummated the Joint Venture on April 1, 2010 and the terms and conditions of the Joint Venture were those reflected in the definitive agreement governing the Joint Venture. Accordingly, the adjustments reflected in the discussion below are based upon available information and certain assumptions that we believe are factually supportable and reasonable under the circumstances. However, these adjustments do not give effect to the contribution by Shell to the Joint Venture of its fuel distribution assets and related revenues and costs or its equity interest in the two companies (Logen Corp. and Codexis, Inc.) involved in the research and development of enzymes and the conversion of biomass into ethanol. See “Risk Factors—Risks Relating to the Joint Venture—We have not included financial information regarding Shell or the fuel distribution assets that it intends to contribute to the Joint Venture.” The unaudited adjusted information is presented for information purposes only and does not purport to represent what our actual results of operations or our financial condition would have been had we consummated the Joint Venture with Shell on April 1, 2010, nor are they indicative of our future results of operations or financial condition. The information below is presented under Brazilian GAAP and in millions of Brazilian reais.

Our consolidated debt and cash by business segment were as follows:

| (BR GAAP) Historical unaudited financial information | As of June 30, 2010 | | |
|--|------------------------|----------|--------------|
| | Gross Debt (1) | Cash (2) | Net Debt (3) |
| | (in millions of reais) | | |
| CAA..... | 5,290.3 | 930.6 | 4,359.7 |
| CCL..... | 696.6 | 293.8 | 402.8 |
| Rumo..... | 196.1 | 48.1 | 148.0 |
| Cosan S.A. (consolidated)..... | 6,183.0 | 1,272.5 | 4,910.5 |

(1) Gross debt is current and non-current debt, plus indebtedness related to the Special Agricultural Financing Program (*Programa Especial de Saneamento de Ativos*), or PESA. PESA indebtedness amounted to R\$625.1 million as of June 30, 2010.

- (2) Cash is cash and cash equivalents, plus CTNs. CTNs amounted to R\$217.6 million as of June 30, 2010.
- (3) Net debt is gross debt minus cash.

The table below sets forth our debt and cash had the following contributions and capital raise been completed on April 1, 2010:

- our expected contribution, pursuant to the definitive agreement governing the Joint Venture, of gross debt to the Joint Venture will total R\$5,047.0 million, comprising (1) U.S.\$2,524.0 million (R\$4,547.0 million as of June 30, 2010) plus (2) additional debt that we expect to incur prior to the date of the consummation of our proposed Joint Venture in connection with certain cogeneration projects to be financed through BNDES in the aggregate amount of R\$500.0 million. The actual amount of gross debt we contribute to the Joint Venture may differ as a result of movements in the prevailing U.S. dollar/Brazilian *reais* exchange rate through the date of the consummation of the Joint Venture;
- the expected contribution of cash by Shell to the Joint Venture, pursuant to the definitive agreement governing the Joint Venture, will total R\$2,846.4 million (U.S.\$1,580.0 million as of June 30, 2010), comprising (1) U.S.\$500 million payable upon the consummation of our proposed Joint Venture plus (2) two installments of U.S.\$540 million each, payable at the end of twelve and twenty four months following the date of the consummation of our proposed Joint Venture. The expected cash contribution was factored in as if we received all cash upon the consummation of our proposed Joint Venture and does not take into effect the impact of present value of the two subsequent installments. Pursuant to the definitive agreement governing the Joint Venture, Shell will not contribute any net debt to the Joint Venture;
- the Rumo private placement, which closed on September 2, 2010, through which Rumo raised R\$400.0 million (U.S.\$222.0 million as of June 30, 2010) in primary proceeds from Gávea Investimentos and TPG Capital in exchange for a 25.0% aggregate interest of the then issued and outstanding shares of Rumo; and

This table does not include the effect of the issuance and sale of the notes in this offering and the receipt of net proceeds therefrom for the anticipated repayment of indebtedness with such net proceeds.

| | Selected unaudited financial information as of June 30, 2010 | | | Unaudited adjustments | | | Unaudited adjusted selected financial data | | |
|------------------------------------|--|----------|--------------|------------------------|----------|--------------|--|----------|--------------|
| | Gross Debt (1) | Cash (2) | Net Debt (3) | Gross Debt (1) | Cash (2) | Net Debt (3) | Gross Debt (1) | Cash (2) | Net Debt (3) |
| | (in millions of reais) | | | (in millions of reais) | | | (in millions of reais) | | |
| Cosan S.A. (unconsolidated) | n/a | n/a | n/a | 939.9 | 1,224.4 | (284.5) | 939.9 | 1,224.4 | (284.5) |
| CAA..... | 5,290.3 | 930.6 | 4,359.7 | (5,290.3) | (930.6) | (4,359.7) | — | — | — |
| CCL | 696.6 | 293.8 | 402.8 | (696.6) | (293.8) | (402.8) | — | — | — |
| Joint Venture (4) | n/a | n/a | n/a | 5,047.0 | 2,846.4 | 2,200.6 | 5,047.0 | 2,846.4 | 2,200.6 |
| Rumo | 196.1 | 48.1 | 148.0 | 0.0 | 400.0 | (400.0) | 196.1 | 448.1 | (252.0) |
| Total..... | 6,183.0 | 1,272.5 | 4,910.5 | 0.0 | 3,246.4 | (3,246.4) | 6,183.0 | 4,518.8 | 1,664.2 |
| Cosan S.A. (consolidated) (5)..... | | | | | | | 3,659.5 | 3,095.7 | 563.8 |

- (1) Gross debt is current and non-current debt, plus PESA indebtedness. PESA amounted to R\$625.1 million as of June 30, 2010.
- (2) Cash is cash and cash equivalents, plus CTNs. CTNs amounted to R\$217.6 million as of June 30, 2010.
- (3) Net debt is gross debt minus cash.
- (4) Includes Joint Venture operations of the downstream company and the sugar and ethanol company.
- (5) Consolidated proportionally to reflect our 50% ownership interest in the Joint Venture, and full consolidation of our indirect ownership interest in Rumo (through Cosanpar).

The table below sets forth selected unaudited financial information for our business segments as of and for the three-month period ended June 30, 2010:

| (BR GAAP) Historical unaudited financial information | As of and for the Three-Month Period Ended June 30, 2010 | | | | | Cosan S.A. Consolidated |
|--|--|---------|------------|-------|--------------|-------------------------|
| | CAA | CCL | | Rumo | Eliminations | |
| | | Fuels | Lubricants | | | |
| | (in millions of reais, except percentages and ratios) | | | | | |
| Net sales..... | 1,273.6 | 2,580.0 | 201.7 | 105.4 | (161.0) | 3,999.6 |
| Gross profit (1) | 263.5 | 121.1 | 84.7 | 32.9 | 4.3 | 506.6 |
| % Gross Margin (2)..... | 20.7% | 4.7% | 42.0% | 31.2% | n/a | 12.7% |
| EBITDA (3)..... | 237.3 | 84.1 | | 36.2 | 0.4 | 358.0 |
| % EBITDA Margin (4)..... | 18.6% | 3.0% | | 34.4% | n/a | 9.0% |
| Net debt (5)..... | 4,359.7 | 402.8 | | 148.0 | — | 4,910.5 |

- (1) Gross profit is net sales less costs of goods sold.
- (2) Gross margin is gross profit divided by net sales, expressed as a percentage.
- (3) EBITDA is net sales, minus cost of goods sold and services rendered, minus selling, general, administrative, management fees and other operating expenses, plus any depreciation or amortization included in any of the foregoing expenses. EBITDA for the last twelve months ended June 30, 2010 was R\$1,779.9 million.
- (4) EBITDA margin is EBITDA divided by net sales, expressed as a percentage.
- (5) Net debt is short- and long-term loans and financings, including PESA indebtedness, less cash and cash equivalents, including CTNs.

The table below sets forth selected unaudited financial information for our business segments as of and for the three-month period ended June 30, 2010, after giving effect to the contribution of CAA and CCL's fuels distribution business to the Joint Venture, as well as the aforementioned cash and debt contributions, but not giving effect to the contribution by Shell of its fuel distribution assets and related revenues and costs to the Joint Venture (see "Risk Factors—Risks Relating to the Joint Venture—We have not included financial information regarding Shell or the fuel distribution assets that it intends to contribute to the Joint Venture"):

| (BR GAAP) Adjusted (unaudited) | As of and for the Three-Month Period Ended June 30, 2010 | | | | | Cosan S.A. Consolidated ⁽²⁾ |
|--------------------------------|--|---------|---------|------------|---------|--|
| | Cosan S.A. Unconsolidated | JVs (1) | Rumo | Lubricants | Total | |
| | (in millions of reais, except percentages and ratios) | | | | | |
| Net sales..... | 0.0 | 3,692.6 | 105.4 | 201.7 | 3,999.6 | 2,153.4 |
| Gross profit (3) | 0.0 | 388.9 | 32.9 | 84.7 | 506.6 | 312.05 |
| % Gross Margin (4)..... | n/a | 10.5% | 31.2% | 42.0% | 12.7% | 14.49% |
| EBITDA (5)..... | n/a | n/a | 36.2 | n/a | 358.0 | n/a |
| % EBITDA Margin (6)..... | n/a | n/a | 34.4% | n/a | 9.0% | n/a |
| Net debt (7)..... | (284.5) | 2,200.6 | (252.0) | — | 1,664.2 | 563.8 |

- (1) Gives effect to the contribution of CAA and CCL's fuels business; does not give effect to the contribution of Shell's fuel distribution assets and related revenues and costs to the Joint Venture.
- (2) Consolidated proportionally to reflect our 50% ownership interest in the Joint Venture, full consolidation of our indirect ownership interest in Rumo and our 100% ownership interest in the Lubricants business and does not give effect to the contribution of Shell's fuel distribution assets and related revenues and costs to the Joint Venture.
- (3) Gross profit is net sales less cost of goods sold, and does not give effect to the contribution of Shell's fuel distribution assets and related revenues and costs to the Joint Venture.
- (4) Gross margin is gross profit divided by net sales, expressed as a percentage.

- (5) EBITDA is net sales, minus cost of goods sold and services rendered, minus selling, general, administrative, management fees and other operating expenses, plus any depreciation or amortization included in any of the foregoing expenses. EBITDA calculation does not give effect to the contribution of Shell's fuel distribution assets and related revenues and costs to the Joint Venture.
- (6) EBITDA margin is EBITDA divided by net sales, expressed as a percentage.
- (7) Net debt is short- and long-term loans and financings, including PESA indebtedness, less cash and cash equivalents, including CTNs.

RISK FACTORS

An investment in the notes involves a high degree of risk. Cosan Limited's annual report on Form 20-F for the year ended March 31, 2010, which is attached as Annex I hereto, describes the risks with respect to our company, our industry and operating environment, particularly Brazil. You should carefully consider these risks and the ones set forth below before making your investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price and liquidity of the notes could decline due to any of these risks or other factors, and you may lose all or part of your investment. These risks are those that we currently believe may materially affect us.

Risks Relating to the Joint Venture

We have entered into a definitive agreement to form a Joint Venture with Shell to further develop our sugar and ethanol and fuel distribution businesses. We cannot guarantee that the Joint Venture will be consummated or that it will be successful.

On August 25, 2010, we entered into a definitive agreement with Shell for the creation of a Joint Venture relating to the production, supply, distribution and retailing of ethanol-based fuels. The formation of the Joint Venture is expected to occur in the first half of 2011 and is subject to customary closing conditions, such as the performance of obligations under the Joint Venture documentation in all material respects, no material adverse change or breach of law that would reasonably be expected to result in a material adverse change, completion of a corporate reorganization of Shell and Cosan, the obtaining of all mill permits (subject to certain exceptions) and the obtaining of certain consents by Shell and Cosan. We cannot provide any assurance that all closing conditions will be satisfied prior to the establishment of the Joint Venture or predict whether any conditions that may be imposed on our businesses in permitting the transaction to occur would have a material adverse effect on our businesses.

Moreover, assuming the Joint Venture is consummated, there can be no assurance that the Joint Venture will be successful and we cannot predict its effects on our consolidated business. We may incur unanticipated expenses, fail to realize anticipated benefits or synergies, disrupt relationships with current and new employees, customers and vendors or incur indebtedness. Any delays or difficulties encountered with the Joint Venture could materially adversely impact our business and results of operations.

We have not included financial information regarding Shell or the fuel distribution assets that it intends to contribute to the Joint Venture.

The Joint Venture is a material transaction. However, we have not included any historical financial information in this offering memorandum regarding Shell or the fuel distribution assets that it intends to contribute to the Joint Venture. In addition, we have not included any pro forma financial information regarding this Joint Venture. Investors are therefore cautioned that the nature of the assets contributed by Shell to the Joint Venture and other aspects of the Joint Venture included in the definitive agreement governing the Joint Venture or otherwise may have a material adverse effect on us.

We cannot provide any assurance that we will be able to obtain necessary regulatory and governmental approvals to consummate the Joint Venture on acceptable terms or predict whether any conditions that may be imposed on our businesses in connection with the transaction would have a material adverse effect on our businesses.

The Joint Venture transaction has been submitted for approval to the Brazilian antitrust regulator, *Conselho Administrativo de Direito Econômico*, or CADE, in accordance with Brazilian law, and the consummation of this proposed transaction is subject to the approval of CADE. The antitrust authority will evaluate whether this transaction negatively impacts competitive conditions in the markets in which we compete or adversely affects consumers in these markets.

If CADE does not approve the Joint Venture transaction, we will not be able to consummate the Joint Venture. In addition, if CADE takes any action to impose conditions or performance commitments on us as part of the approval

process for the Joint Venture transaction, it could materially and adversely affect our business and results of operations and prevent our company from achieving certain benefits of the Joint Venture transaction.

In addition to CADE approval, the consummation of our proposed Joint Venture depends on decisions not to initiate proceedings against or investigate the establishment of the Joint Venture by the European Commission and the Swiss Competition Commission. Any decision by the European Commission or the Swiss Competition Commission to initiate proceedings against or investigate the Joint Venture could materially and adversely affect our business and results of operations and prevent our company from achieving the anticipated benefits of the Joint Venture transaction.

Risks Relating to the Notes and the Guarantee

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

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

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

Payments on the notes and the guarantee will be junior to any of our secured debt obligations and effectively junior to debt obligations of our non-guarantor subsidiaries, including the Joint Venture, if consummated.

The notes and the guarantee 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. Payment by us in respect of the notes will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of our non-guarantor subsidiaries and jointly controlled companies, including the Joint Venture when consummated. Our ability to meet our debt service obligations, including in respect of the notes, will be substantially dependent on the cash flow generation of the Joint Venture and our corresponding receipt of dividends from the Joint Venture. In addition, under Brazilian law, the Issuer's obligations under the notes and our obligations under the guarantee are subordinated to certain statutory preferences, including post-petition claims, claims for salaries, wages, secured obligations, social security, taxes, court fees and expenses, among others. In the event of the Issuer's or our liquidation, such statutory preferences will have preference over any other claims, including claims by any holder of the notes.

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

The Brazilian currency has historically suffered frequent devaluations. In the past, the Brazilian government has implemented various economic plans and exchange rate policies, including sudden devaluations and periodic mini-devaluations, during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. There have been significant fluctuations in the

exchange rate between the Brazilian currency and the U.S. dollar and other currencies. In fiscal year 2004, the *real* devalued slightly by 1.9%, ending at R\$2.945 per U.S.\$1.00. In fiscal year 2005, the *real* ended at R\$2.531 per U.S.\$1.00, which represented a 14.0% appreciation. In fiscal year 2006, the *real* appreciated by 17.5%, ending at R\$2.089 per U.S.\$1.00. In fiscal year 2007, the *real* appreciated by 2.6%, ending at R\$2.034 per U.S.\$1.00. In fiscal year 2008, the *real* appreciated by 20.5%, closing at R\$1.687 per U.S.\$1.00. In transition fiscal year 2009, the *real* devalued by 37.2%, closing at R\$2.315 per U.S.\$1.00. In fiscal year 2010, the *real* depreciated by 23.1%, closing at R\$1.781 per U.S.\$1.00 on March 31, 2010. On June 30, 2010, the exchange rate was R\$1.8015 to U.S.\$1.00.

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

Because a substantial portion of our indebtedness is, and will continue to be, denominated in or indexed to the U.S. dollar, our foreign currency exposure related to our indebtedness as of June 30, 2010 was U.S.\$1,826.6 million. We manage a portion of our exchange rate risk through foreign currency derivative instruments, but our foreign currency debt obligations are not completely hedged. In addition, a devaluation of the *real* would effectively increase the interest expense in respect of our U.S. dollar-denominated debt.

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 vehicle for our activities and operations. The Issuer has no material assets, and its only sources of cash flow are returns from its financing activities 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 capital contributions to the Issuer are not made by us or our subsidiaries, then the holders of the notes would have to rely upon claims against us for payment under the guarantee. However, payments under the guarantee are subject to the risks and limitations described under "—Payments on the notes and the guarantee will be junior to any of our secured debt obligations and effectively junior to debt obligations of our non-guarantor subsidiaries, including the Joint Venture, if consummated."

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

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

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

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a

person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories of certain Member States have adopted similar measures (either provision of information or transitional withholding).

On September 15, 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On November 13, 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

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

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

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

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

If proceedings were brought in the courts of Brazil seeking to enforce our obligations under the notes, we would 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 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. See "Enforceability of Civil Liabilities."

The notes have no maturity date or sinking fund provisions and are not redeemable at the option of holders of notes.

The notes have no fixed final maturity date or any sinking fund provisions and are not redeemable at the option of holders of notes. As a result, holders of the notes will be entitled to receive a return of the principal amount of their investment only if we elect to redeem or repurchase the notes or in the event of acceleration due to an event of default.

There are no financial covenants in the notes.

None of us, the Issuer, or any of our subsidiaries are restricted from incurring additional debt or liabilities, including additional senior debt, under the notes and the indenture. If we or the Issuer incur additional debt or liabilities, the ability of the Issuer to pay our obligations on the notes could be materially adversely affected. We expect that we will from time to time incur additional debt and other liabilities. In addition, neither we nor the Issuer are restricted from paying dividends or issuing or repurchasing our securities under the notes, the guarantee and the indenture. There are no financial covenants in the indenture and the notes.

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 right of the holders of the notes to require us to repurchase the notes upon a change of control event may cause a default under such indebtedness even if the change of control event itself does not. Accordingly, we may not be able to satisfy our obligations to purchase the notes unless we are able to refinance or obtain waivers under such indebtedness. The failure to repurchase the notes upon a change of control event would result in an event of default under the indenture governing the notes. In addition, certain important corporate events, such as leveraged recapitalizations, that would increase the level of our indebtedness may not constitute a change of control event under the indenture governing the notes. Therefore, if an event occurs that does not constitute a change of control event under the indenture, we will not be required to make an offer to repurchase the notes and the holders may be required to continue to hold the notes despite such event.

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

Cosan Overseas, our indirect wholly-owned subsidiary, is incorporated under the laws of the Cayman Islands. All or substantially all of its assets, directors and officers and certain advisers named herein reside in Brazil. We are incorporated under the laws of Brazil, and substantially all of our assets are located in Brazil. All or substantially all of our 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 Cosan Overseas or us or our respective directors, executive officers and advisers or to enforce against Cosan Overseas or us in U.S. courts any judgments predicated upon the civil liability provisions of the applicable securities laws. See “Enforceability of Civil Liabilities.”

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

The notes constitute a new issue of securities, for which there is no existing market. Although we have applied to admit the notes to trading on the Euro MTF Market of the Luxembourg Stock Exchange, we cannot provide you with any assurances that the application will be accepted. 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 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, risk associated with Brazilian issuers of such type of securities and the market for similar securities. If an active market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be adversely affected.

Transfer of the notes will be restricted.

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

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

The Issuer's obligation to make payments on the notes is supported by our (and after the consummation of our proposed Joint Venture, by CCL) obligations to guarantee payments by us on such notes. In the event that Brazilian or U.S. fraudulent conveyance or similar laws are applied to our guarantee and at the time it entered into such guarantee we:

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

then our obligations under the guarantee could be voided, or claims in respect of the guarantees 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 as a result of the issuance of the notes so guaranteed. If the 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 us under the guarantee, or such claim could be subordinated to claims of other of our credits and would solely have a claim against the Issuer. We 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 guarantee.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains statements that constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Our estimates and forward-looking statements are mainly based on our current expectations and estimates on projections of future events and trends, which affect or may affect our businesses and results of operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- general economic, political, demographic and business conditions in Brazil and in the world and the cyclicity affecting prices for our products and services;
- our ability to implement our expansion strategy in Brazil and in international markets through organic growth, acquisitions and joint ventures;
- competitive developments in the sugar and ethanol industries;
- our ability to implement our capital expenditure plan, including our ability to obtain financing when required and on reasonable terms;
- our ability to consummate the Joint Venture with Shell on favorable terms;
- our ability to compete and conduct our businesses in the future;
- changes in customer demand;
- changes in our businesses;
- technological advances in the ethanol sector and advances in the development of alternatives to ethanol;
- government interventions and trade barriers, resulting in changes in the economy, taxes, rates or regulatory environment;
- inflation, depreciation and devaluation of the Brazilian *real*;
- other factors that may affect our financial condition, liquidity and results of our operations; and
- other risk factors discussed under “Risk Factors.”

The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date they were made, and we undertake no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Our future results may differ materially from those expressed in these estimates and forward-looking statements. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this offering memorandum might not occur and our future results and our performance may differ materially from those expressed in these forward-looking statements due to, but not limited to, the factors mentioned above. Because of these uncertainties, you should not make any investment decision based on these estimates and forward-looking statements.

USE OF PROCEEDS

The net proceeds from the sale of the notes are estimated to be approximately U.S.\$298.2 million. The proceeds of the issuance of the notes will be used by Cosan Overseas to make an advance to Cosan that will primarily be used by it to repay short- and medium-term indebtedness, and any remaining net proceeds will be used for our general corporate purposes, including to strengthen our working capital position.

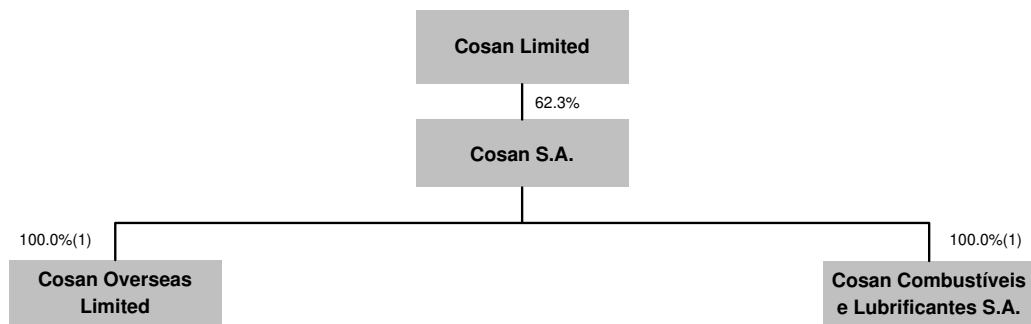
THE ISSUER

Cosan Overseas Limited is a wholly-owned subsidiary of Cosan and was incorporated in the Cayman Islands as an exempted company with limited liability on October 19, 2010 for an unlimited period. The registered office of the Issuer is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The Issuer was registered and filed under company number 246729 by the Assistant Registrar of Companies of the Cayman Islands.

Cosan Overseas is an exempted company that will be limited by the terms of the indenture to certain activities incidental or related to the notes. See “Description of Notes.” The Issuer is not required to and has not published financial statements for any period and does not intend to publish any financial statements for future periods. The notes will be the only outstanding debt of the Issuer. The directors of Cosan Overseas are Rubens Ometto Silveira Mello, Pedro Isamu Mizutani and Marcelo Eduardo Martins. Each of the directors of Cosan Overseas resides in São Paulo, Brazil.

The authorized share capital of Cosan Overseas is U.S.\$50,000, divided into 50,000 shares of a nominal or par value of U.S.\$1.00 each. As at the date hereof, one share has been issued as fully paid and is outstanding.

Cosan S.A. owns 100% of the economic interest in Cosan Overseas. A simplified organizational chart of Cosan S.A.’s current structure is presented below:



(1) Total economic interest.

For a structure of Cosan S.A. following consummation of the Joint Venture, see “Summary—Overview.”

We have covenanted to retain Cosan Overseas within the Cosan S.A. group, see “Description of Notes—Covenants—Limitations and Restrictions on Cosan Overseas.”

CAPITALIZATION

Cosan Overseas Limited

The Issuer was established with minimal share capital and substantially all of the Issuer's capitalization will be in the form of long-term indebtedness arising from the offering of the notes hereby.

Cosan S.A. Indústria e Comércio

The table below sets forth our consolidated debt and capitalization as of June 30, 2010, derived from our unaudited consolidated interim financial statements prepared in accordance with U.S. GAAP:

- on an actual basis; and
- on an as adjusted basis to give effect to the issuance and sale of the notes in this offering and the receipt of approximately U.S.\$298.2 million in net proceeds therefrom, but not the use of such proceeds.

You should read this table in conjunction with our financial statements included in this offering memorandum.

| | As of June 30, 2010 | | | |
|---|-------------------------|----------------|---------------|----------------|
| | Actual | | As Adjusted | |
| | (unaudited) | | | |
| | (in millions of U.S.\$) | | | |
| Short-term debt: | | | | |
| Bank debt and notes | U.S.\$ | 473.2 | U.S.\$ | 473.2 |
| Funds from related parties | | 66.7 | | 66.7 |
| Total short-term debt | | 539.9 | | 539.9 |
| Long-term debt: | | | | |
| Bank debt and notes | U.S.\$ | 2,915.0 | U.S.\$ | 3,213.2 |
| Funds from related parties | | — | | — |
| Total long-term debt | | 2,915.0 | | 3,213.2 |
| Equity attributable to shareholders of Cosan | U.S.\$ | 3,392.3 | U.S.\$ | 3,392.3 |
| Equity attributable to noncontrolling interest | | 34.0 | | 34.0 |
| Total shareholders' equity | | 3,426.3 | | 3,426.3 |
| Total capitalization | U.S.\$ | 6,881.2 | U.S.\$ | 7,179.4 |

No material change has occurred to our capitalization since June 30, 2010. This table should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements and the related notes thereto included in our annual report on Form 20-F for the year ended March 31, 2010, which is attached to this offering memorandum. In addition, please see "Summary Financial and Other Information—Impact of recent developments on Selected Unaudited Financial Information derived from our unaudited balance sheet as of June 30, 2010 and the income statement for the three-month period ended June 30, 2010, expressed in Brazilian *reais* and prepared in accordance with Brazilian GAAP" for a discussion of certain adjustments to our balance sheet and income statement, showing the impact of the Joint Venture.

OPERATING AND FINANCIAL REVIEW OF PROSPECTS

Interim Condensed Consolidated Statement of Operations

The following discussion should be read in conjunction with our interim condensed consolidated interim financial statements and related notes as of and for the three-month periods ended June 30, 2010 and 2009, included elsewhere in this offering memorandum. Our historical results discussed are not necessarily indicative of our full year performance or of results to be expected from any future period. The following discussion may contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and “Cautionary Statement Regarding Forward-Looking Statements.”

The following table sets forth our interim condensed consolidated statement of operations for the three-month periods ended June 30, 2010 and 2009. All amounts presented related to our financial statements are in accordance with U.S. GAAP, unless otherwise stated.

| | For the Three-Month Periods Ended June 30, | | |
|---|---|----------------|-------------|
| | 2010 | 2009 | % Variation |
| | (in millions of U.S.\$, except percentages) | | |
| Statement of Operations: | | | |
| Net sales: | U.S.\$ 2,233.8 | U.S.\$ 1,720.3 | 29.9 |
| Cost of goods sold | (1,993.2) | (1,560.6) | 27.7 |
| Gross profit..... | 240.7 | 159.6 | 50.8 |
| Selling expenses | (122.7) | (102.1) | 20.3 |
| General and administrative expenses..... | (67.9) | (7.7) | 781.8 |
| Operating income | 50.1 | 49.9 | 0.4 |
| Other income (expenses): | | | |
| Financial income (expense), net | (59.8) | 217.5 | (127.5) |
| Other expenses, net..... | (0.1) | (7.9) | (98.7) |
| (Loss)/income before income taxes, equity in income of affiliates and noncontrolling interest..... | (9.9) | 259.5 | (103.8) |
| Income taxes expense | (1.2) | (76.5) | (98.4) |
| Income (loss) before equity in income of affiliates and noncontrolling interest..... | (11.2) | 183.0 | (106.1) |
| Equity in income (loss) of affiliates..... | 0.6 | (1.7) | (135.3) |
| Noncontrolling interest in net income (loss) of subsidiaries..... | (1.9) | 3.7 | (151.4) |
| Net (loss) | (12.6) | 185.0 | (106.8) |

Net Sales

We report net sales after deducting Brazilian federal and state taxes assessed on gross sales (ICMS, PIS, COFINS, IPI and INSS). Deductions from gross sales in the Brazilian domestic market, which are subject to these taxes, are significantly greater than our deductions from gross sales in export markets. Total sales deductions can be broken down as follows:

- *ICMS taxes.* ICMS is a state value-added tax assessed on our gross sales in the Brazilian market at a rate that varies by state and product.
- *PIS and COFINS taxes.* PIS and the COFINS taxes are federal social contribution taxes assessed on our gross sales in the Brazilian market at rates that vary by product.
- *IPI taxes.* IPI is a federal value-added tax assessed on our gross sales in the Brazilian market at rates that vary by product.
- *INSS taxes.* INSS taxes are federal social contribution taxes assessed on our gross sales in the Brazilian market of our agribusiness entities at a rate of 2.85%.

Net sales increased by 29.9% to U.S.\$2,233.8 million during the three-month period ended June 30, 2010, from U.S.\$1,720.3 million during the three-month period ended June 30, 2009, primarily as a result of:

- a 29.2% and a 30.2% increase in our average realized price per ton of sugar sold in the domestic and international markets, respectively;
- a 42.6% increase in our average realized unit price per thousand liters of ethanol sold by CAA;
- a 16.3% increase in our average selling price of ethanol sold by CCL and the higher participation of diesel and gasoline in its sales mix, which have higher prices compared to ethanol; and
- an increase in Rumo's net sales, mainly as result of the start-up of the transportation operations and the increase in volume loaded.

Net sales from exports of sugar, ethanol and services were U.S.\$317.8 million in the three-month period ended June 30, 2010, which represented 14.2% of our net sales for this period compared to 19.1% of our net sales during the three-month period ended June 30, 2009. This decrease in the relative contribution of exports to total net sales was primarily caused by a reduction in the volume of exported ethanol, as mentioned below.

| | For the Three-Month Periods Ended June 30, | | |
|---|--|----------------|--------------------|
| | 2010 | 2009 | % Variation |
| | (in millions of U.S.\$, except percentages) | | |
| Net sales (in U.S. GAAP) | U.S.\$ 2,233.8 | U.S.\$ 1,720.3 | |
| Sugar and ethanol net sales (in Brazilian GAAP) | 701.8 | 563.0 | 24.7 |
| Sugar sales | 462.7 | 314.1 | 47.3 |
| Ethanol sales | 188.8 | 220.5 | (14.4) |
| Energy cogeneration | 29.8 | 14.4 | 106.9 |
| Other sales | 20.6 | 14.0 | 47.1 |
| CCL (fuel distribution and lubricants) net sales (in Brazilian GAAP)..... | 1,495.7 | 1,137.5 | 31.5 |
| Fuels..... | 1,363.0 | 1,056.0 | 29.1 |
| Lubricants | 109.8 | 72.5 | 51.4 |
| Other..... | 22.9 | 9.0 | 154.4 |
| Rumo (sugar logistics) net sales (in Brazilian GAAP)..... | 33.7 | 18.9 | 78.3 |
| Port lifting | 28.7 | 18.4 | 56.0 |
| Transports | 5.0 | 0.5 | 900.0 |
| Adjustments and eliminations:..... | 2.7 | 0.8 | 237.5 |

Sugar and Ethanol. Net sales from sugar and ethanol increased by 24.7% to U.S.\$701.8 million during the three-month period ended June 30, 2010, from U.S.\$563.0 million during the three-month period ended June 30, 2009, primarily as a result of:

- a 5.7% decrease in our sugar sales volume to 932.4 thousand tons in the three-month period ended June 30, 2010 from 988.5 thousand tons in the three-month period ended June 30, 2009, which was offset by an increase in average realized price. This volume reduction occurred mainly due to (1) lower inventories at the end of the crop, (2) the strategy of reducing the pace of sales, waiting for better prices than those during April and May, and (3) the delay of shipments caused by a heavy concentration at the port terminals during the month of June, when international prices started to increase;
- a 49.4% increase in our average realized price per ton of sugar sold in the domestic market to U.S.\$581.3 per ton in the three-month period ended June 30, 2010, from U.S.\$389.1 in the three-month period ended June 30, 2009;

- a 50.7% increase in our average realized price per ton of sugar sold in the international market to U.S.\$456.3 per ton, from U.S.\$302.8 per ton in the three-month period ended June 30, 2010, which was partially offset by a decline of 22.5% in the volume exported, for the reasons presented above;
- a 39.9% decrease in our ethanol sales volume from 756.7 million liters in the three-month period ended June 30, 2009 to 454.4 millions of liters in the three-month period ended June 30, 2010, mainly due to (1) perceived forecasts of lower consumer prices in the course of the harvest and offseason in Brazil, (2) the absence of opportunities of arbitration of the price of ethanol in the international market, and (3) lower inventories at the end of the crop;
- a 42.6% increase in our average realized unit price, from U.S.\$291.4 per thousand liters of ethanol in the three-month period ended June 30, 2009 to U.S.\$415.5 per thousand liters of ethanol due to the increase of the fleet of flexfuel vehicles and the consumer having reassumed preference for ethanol at the fuel stations; and
- both in the case of ethanol and sugar, the concentration of sales in the last quarter of fiscal year 2010 contributed to important gains due to sales at higher prices, but reduced the inventory at the beginning of the first quarter and consequently the availability of products for sale.

Sales of sugar and ethanol represented 31.4% and 32.7% of total net sales during the three-month periods ended June 30, 2010 and 2009, respectively.

CCL (fuel distribution and lubricants). Net sales from CCL for the three-month period ended June 30, 2010 increased by 31.5% to U.S.\$1,495.7 million, from U.S.\$1,137.5 million during the three-month period ended June 30, 2009, primarily due to:

- a 20.6% and 18.8% increase in the volume of diesel and C gasoline sold, respectively, for the three-month period ended June 30, 2010 compared to the same period in 2009. This increase was partially due to gains in market share, and as a consequence of the consumption growth (according to the ANP, sales of diesel and C gasoline increased by 12.7% and 16.0%, respectively, in the same period of comparison);
- higher participation of diesel and gasoline in the sales mix, which presented higher prices compared to ethanol;
- a 16.3% increase in the average selling price of ethanol;
- an increase in sales volume of lubricants, resulting in a record volume of sales of 42.8 million liters of lubricants sold in the three-months ended June 30, 2010, including an increase in the volume of higher margin premium products sold, which was partially offset by a decrease in the average realized unit price in this period. This decrease reflects the opportunity perceived by CCL of serving a niche of selling processing oil. The sales of processing oil contributed to raising the revenue of the lubricants business, yet impacted the average unit price in the quarter, as processing oil has a lower average price than CCL's premium products;
- the diesel and C gasoline volume increase was partially offset by a decrease in the volume of ethanol sold by 6.3% in the three-month period ended June 30, 2010 as compared to the same period in 2009, primarily due to the fact that in the three-month period ended June 30, 2010, approximately 35.0% of the car fleet was located in Brazilian states where gasoline prices were more favorable to the consumer than ethanol prices, while in the three-month period ended June 30, 2009 this percentage was less than 2.0%.

Rumo (sugar logistics). Net sales from Rumo increased by 78.3% to U.S.\$33.7 million in the three-month period ended June 30, 2010, from U.S.\$18.9 million in the three-month period ended June 30, 2009, primarily due to revenues from the commencement of transportation operations principally through the start of the partnership with ALL. The volume loaded was increased by 8.7% to 2,265 thousand tons of sugar in the three-month period ended June 30, 2010, compared to 2,084 thousand tons in the same period in 2009. This increase is mainly a result of higher demand in the period, despite the higher number of rain days in the period. In addition, the average unit net revenue of R\$46.5/ton was 147.0% higher than last year's, mainly impacted by higher value added services with the

commencement of transportation operations. CAA represented 24.6% of the total volume loaded, or 557.5 thousand tons.

Adjustments and Eliminations. The components of our net revenues are prepared in accordance with Brazilian GAAP. Accordingly, we have to perform certain eliminations and adjustments in order to consolidate and prepare our U.S. GAAP financial statements. These adjustments corresponded to U.S.\$2.7 million in the three-month period ended June 30, 2010, as compared to U.S.\$0.8 million in the three-month period ended June 30, 2009.

Cost of Goods Sold

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

Cost of goods sold increased by 27.7% to U.S.\$1,993.2 million during the three-month period ended June 30, 2010, from U.S.\$1,560.6 million during the three-month period ended June 30, 2009.

Sugar and ethanol. Cost of sugar and ethanol sold increased by 14.6% to U.S.\$552.4 million during the three-month period ended June 30, 2010, from U.S.\$482.0 million during the three-month period ended June 30, 2009, primarily as a result of:

- the costs of sugar sold increased by U.S.\$50.2 million due to the purchase of raw material for refining and finished goods for subsequent resale and distribution in the domestic market. This activity started with the acquisition of Cosan Alimentos on June 18, 2009; therefore, it was not a significant cost in the three-month period ended June 30, 2009;
- the costs of ethanol sold increased by U.S.\$8.9 million to comply with delivery requirements under commercial agreements at the beginning of the harvest, as we had sold our inventory to take advantage of higher prices in the three-month period ended March 31, 2010. A provision of U.S.\$14.5 million was recorded for re-valuation at market prices of the ethanol inventories given that they were below the average production cost in the inventories;
- an increase of 24.7% in the average value of total sugar recovered, which represents the total amount of sugar content in the sugarcane, or TSR, calculated by the Consecana, which increased from R\$0.2828/kg (U.S.\$0.1577/kg) in the three-month period ended June 30, 2009 to R\$0.3528/kg (U.S.\$0.1968/kg) in the three-month period ended June 30, 2010, giving rise to a higher cost of leasing of land and of sugarcane from suppliers, resulting in an additional cost of approximately U.S.\$43.9 million in this fiscal year;
- the start-up of operations at the end of the last harvest of the two greenfields (Jataí and Caarapó) which resulted in increased costs, including depreciation; and
- the increase of participation in the domestic sugar market, contributing to an increase in our production costs, as refining and packing sugar for the domestic market added approximately R\$120/ton (U.S.\$66/ton) to cost of sugar sold.

The increase in cost of sugar and ethanol described above was offset, in part, by the mechanization of 80% of our CCT (harvesting, loading and transportation operations), which resulted in lower costs of R\$11.60/ton of sugarcane processed mechanically, which is less costly than manual harvesting, for the period ended June 30, 2010. However, we continue to carry out manual harvesting, loading and transportation operations in areas with difficult access and/or with more complex harvesting conditions, resulting in higher manual CCT costs when compared to mechanized areas.

CCL (fuel and lubricant distribution). Cost of fuel distributed for the three-month period ended June 30, 2010 increased by 25.9% to U.S.\$1,380.9 million, from U.S.\$1,097.2 million during the three-month period ended June 30, 2009 primarily as a result of higher fuel sales volume. Excluding the impact of the increased volume, the average unit cost of fuels increased by 9.9% to R\$1.739 per thousand liters in the three-month period ended June 30, 2010, from R\$1.63 per thousand liters in the same period in 2009, as a result of a 22.3% increase in the ethanol cost, and a higher share of diesel and gasoline in the sales mix. Our cost of fuel distributed was partially offset by a reduction in the unit cost of lubricants due to the appreciation of the *real* compared to the U.S. dollar.

Rumo. Cost of other products and services increased to U.S.\$15.3 million in the three-month period ended June 30, 2010 from U.S.\$12.7 million in the three-month period ended June 30, 2009, primarily as a result of increased costs related to loading services, transshipment, storage in the countryside and hiring of rail and road freight.

Selling Expenses

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

Selling expenses increased by 20.3% to U.S.\$122.7 million during the three-month period ended June 30, 2010 from U.S.\$102.1 million during the three-month period ended June 30, 2009. This increase resulted mainly from the growth of CCL with increased fuels sales volume, which was partially offset by a reduction in selling expenses from CAA due to a lower exported volume of ethanol.

General and Administrative Expenses

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

General and administrative expenses increased to U.S.\$67.9 million in the three-month period ended June 30, 2010 from U.S.\$7.7 million in the three-month period ended June 30, 2009. This increase occurred in all of our businesses, and reflects the efforts and investments that continue to be made to improve controls, management and operating efficiency when investments are completed.

Financial Income (expense), Net

Financial expense, net in the three-month period ended June 30, 2010 totaled U.S.\$59.8 million compared to financial income net of U.S.\$217.5 million in the three-month period ended June 30, 2009.

| | For the Three-Month Periods Ended June 30, | |
|--------------------------|---|--------------|
| | 2010 | 2009 |
| | (in millions of U.S.\$) | |
| Financial expenses | (108.8) | 66.1 |
| Financial income | 49.0 | 151.4 |
| | <u>(59.8)</u> | <u>217.5</u> |

Financial Expenses. Our financial expenses primarily consist of: (1) accrued interest on our indebtedness; (2) losses on monetary variation related to our financial investments; (3) losses on foreign exchange variations related to our foreign currency-denominated indebtedness; (4) losses on derivatives (swaps, futures, forwards and options); and (5) fees, commissions and other charges paid to financial institutions.

Financial expenses during the three-month period ended June 30, 2010 totaled U.S.\$108.8 million compared to financial income of U.S.\$66.1 million during the three-month period ended June 30, 2009. This decrease was primarily the result of the negative exchange rate variation on our foreign currency denominated indebtedness of

U.S.\$18.0 million in the three-month period ended June 30, 2010 compared to the positive exchange rate variation on our foreign currency denominated indebtedness of U.S.\$182.5 million in the same period in 2009.

Financial Income. Our financial income primarily consists of: (1) gains on monetary variation related to our financial investments; (2) gains on foreign exchange variations related to our foreign currency-denominated indebtedness; (3) gains on derivatives (swaps, futures, forwards and options); (4) income from financial investments; and (5) financial income related to compensation awarded in a legal proceeding against the Brazilian federal government.

Financial income during the three-month period ended June 30, 2010 totaled U.S.\$49.0 million compared to financial income of U.S.\$151.4 million during the three-month period ended June 30, 2009. This decrease was primarily the result of the positive derivatives result of U.S.\$4.3 million in this quarter compared to the positive derivatives result of U.S.\$77.5 million in the same quarter of the previous year.

Gain on derivatives, net. Gain on derivatives, net totaled U.S.\$4.3 million in the three-month period ended June 30, 2010 compared to U.S.\$77.5 million in the three-month period ended June 30, 2009. The lower gain from derivatives in the three-month period ended June 30, 2010 is mainly due to foreign exchange derivatives, which represented a gain of U.S.\$138.1 million in the three-month period ended June 30, 2009, compared to a loss of U.S.\$3.1 million in the same period in 2010. Commodity derivatives, in turn, showed a loss of U.S.\$60.5 million in the three-month period ended June 30, 2009, while in the three-month period ended June 30, 2010 represented a gain of U.S.\$7.5 million.

As from April 1, 2010, the Company adopted hedge accounting in the cash flow hedge category for certain financial derivative instruments designated for covering price risk and foreign exchange variance risk on revenues from sugar exports. In the quarter ended June 30, 2010, there was a deferral (reclassification between results and the “reserve” account in shareholders’ equity) of U.S.\$11.1 million in gains with these derivatives, which will impact the net operating revenue in the next quarters, in accordance with the period of coverage of each one of the designated instruments. During the three-month period ended June 30, 2010, there was appropriation of the losses of variance of the fair value of the derivatives amounting to U.S.\$0.5 million, classified as net operating revenue.

Foreign exchange variation, net. The result from foreign exchange rate variation was an expense of U.S.\$18.0 million in the three-month period ended June 30, 2010, as compared to a gain of U.S.\$182.5 million in the three-month period ended June 30, 2009, principally due to the impact of the devaluation of the *real* against the U.S. dollar on our U.S. dollar-denominated debt, which was of approximately 2% as of June 30, 2010 (R\$1.7810/U.S.\$1.00 on March 31, 2010 and R\$1.8015/U.S.\$1.00 on June 30, 2010), compared to an appreciation of 16% in the same period of the previous year (R\$2.3152/U.S.\$1.00 on March 31, 2009 and R\$1.9516/U.S.\$1.00 on June 30, 2009).

Income Taxes (Expense) Benefit

Income taxes benefit totaled U.S.\$1.2 million in the three-month period ended June 30, 2010, compared to an income tax benefit of U.S.\$76.5 million in the three-month period ended June 30, 2009, mainly resulting from the positive income before tax of R\$259.5 million in the three-month period ended June 30, 2009 compared to a loss of U.S.\$9.9 million in the three-month period ended June 30, 2010.

Net Income (Loss)

As a result of the foregoing, we incurred a net loss of U.S.\$12.6 million in the three-month period ended June 30, 2010, compared to a net income of U.S.\$185.0 million in the three-month period ended June 30, 2009.

Liquidity and Capital Resources

In the three-month period ended June 30, 2010, the cash flow used in investing activities was funded principally by increased borrowing, while in the three-month period ended June 30, 2009, the cash flow used in investing activities was funded principally by operations. In the three-month period ended June 30, 2010, the cash flow generated by operations was used primarily for working capital requirements and to service our outstanding debt obligations. As of June 30, 2010, our consolidated cash and cash equivalents amounted to U.S.\$585.6 million compared to U.S.\$478.0 million as of June 30, 2009.

Cash Flow from Operating Activities

We had net cash flows from operating activities of U.S.\$308.1 million in the three-month period ended June 30, 2010, compared to U.S.\$298.6 million in the three-month period ended June 30, 2009. This increase was primarily attributable to a better management of our trade accounts receivable and payable and to the result of derivative financial instruments.

Cash Flow Used in Investing Activities

We had net cash flows used in investing activities of U.S.\$363.5 million for the three-month period ended June 30, 2010, compared to U.S.\$151.2 million for the three-month period ended June 30, 2009. This variation was mainly attributable to:

- the higher level of acquisition of property, plant and equipment during the three-month period ended June 30, 2010, which increased 46.8% to U.S.\$333.3 million from U.S.\$227.0 million during the same period in 2009; and
- the impact of U.S.\$60.3 million related to cash received from the sale of the aviation fuels business in 2009.

Cash Flow from Financing Activities

We had U.S.\$44.8 million of net cash inflows from financing activities in the three-month period ended June 30, 2010, compared to U.S.\$39.1 million of net cash outflows used in financing activities in the three-month period ended June 30, 2009. The addition of long-term debt, net of repayments, has increased from U.S.\$23.1 million in the three-month period ended June 30, 2009 to U.S.\$44.8 million in the three-month period ended June 30, 2010, while the financing resources from related parties were represented by a cash outflow of U.S.\$62.2 million in the three-month period ended June 30, 2009 and represented no impact in the three-month period ended June 30, 2010. Our cash inflows for the three-month period ended June 30, 2010 was partially offset by our increased payments of long-term debt during the period.

Working Capital

At June 30, 2010, we had working capital of U.S.\$914.8 million, compared to U.S.\$625.2 million at June 30, 2009, primarily attributable to:

- a decrease in the current portion of long-term debt, from U.S.\$581.2 million at June 30, 2009 to U.S.\$473.2 million at June 30, 2010 related to restructuring of our indebtedness;
- an increase in the cash and cash equivalents, from U.S.\$478.0 million to U.S.\$585.6 million; and
- an increase in inventories, from U.S.\$589.2 million at June 30, 2009 to U.S.\$795.8 million at June 30, 2010.

Capital Expenditures

Our capital expenditures in property, plant and equipment, including acquisitions (net of cash acquired), expenditures for crop formation and expenditures for purchases of land, were U.S.\$363.5 million during the three-month period ended June 30, 2010, compared to U.S.\$151.2 million during the three-month period ended June 30, 2009. The main reason for such increase was the logistics investments made through our subsidiary Rumo.

Sugar and ethanol

In the three-month period ended June 30, 2010, we invested U.S.\$56.1 million in planting compared to U.S.\$36.7 million in the three-month period ended June 30, 2009. We planted 24.7 thousand hectares and prepared 30.3 thousand hectares of soil in areas for future plantation, compared to 21.2 thousand hectares of planting and 20.8 thousand hectares of soil preparation in the three-month period ended June 30, 2009.

Investments in inter-harvest maintenance for the period ended June 30, 2010 amounted to U.S.\$33.8 million, as compared to U.S.\$12.7 million for the three-month period ended June 30, 2009, primarily due to our recent acquisition

of the Cosan Alimentos (formerly known as Nova America S.A. – Agroenergia) and the effects of a shorter inter-harvest period, which increased the need for contracting outsourced services.

In addition, we made substantial investments in mechanization, amounting to U.S.\$24.4 million, including the acquisition of 52 harvesters, trailers, transshipments and investments in our plants to adapt them to receive an increased volume of sugarcane collected mechanically. Of the harvest on property we own, 80% in the three-month period ended June 30, 2010 was conducted in mechanized form compared to 62% in the three-month period ended June 30, 2009, reflecting an increase of 18 percentage points.

Investments in cogeneration amounted to U.S.\$54.8 million in the three-month period ended June 30, 2009 as compared to U.S.\$40.3 million in the same period in 2009, reflecting a 36% increase, primarily due to the completion of our cogeneration projects at our Barra and Bonfim mills and works to accelerate the commencement of other projects.

Capital expenditure on our greenfield projects was U.S.\$13.5 million in the three-month period ended June 30, 2010, mainly associated with investments in the already existing agricultural and logistics/administrative assets, the Jataí (State of Goiás) and Caarapó (State of Mato Grosso do Sul) projects, which started their activities in the last harvest and are increasing the quantity of processed sugarcane in this harvest until reaching full capacity in the next years.

The expansion projects amounted to U.S.\$29.0 million, in connection with the final phase of expansion of the sugar mills of the Costa Pinto, Gasa, Bonfim, Barra, Tamoio, Ipaussu and Junqueira units, increasing our production capacity by approximately 400 thousand tons per year.

Fuel distribution and lubricants

CCL's capital expenditure amounted to U.S.\$8.0 million in the three-month period ended June 30, 2010 as compared to U.S.\$5.9 million in the same period in 2009, reflecting a 35.6% increase, primarily due to the construction of new distribution terminals such as in Araçatuba, the reactivation of distribution terminals such as in Cuiabá and the replacement of storage tanks and corporate systems.

Rumo (sugar logistics)

In the three-month period ended June 30, 2010, Rumo acquired 457 railcars in connection with its ALL agreement, and investments in permanent ways, which totaled R\$68.7 million, as compared to no such investment in the same period in 2009.

Indebtedness

Our total debt of U.S.\$3,388.2 million at June 30, 2010 increased 3.0% as compared to our total debt of U.S.\$3,288.5 million at March 31, 2010. Our short-term debt, comprised of our current portion of long-term debt and interest accrued, represented 14.0% of our total indebtedness at June 30, 2010. Our U.S. dollar-denominated debt at June 30, 2010 represented 53.9% of our total indebtedness.

As of June 30, 2010, we had total assets of U.S.\$8,936.2 million compared to U.S.\$8,735.8 million at March 31, 2010. Our total assets increased 2.3%, mainly due to an increase in our capital expenditure and inventory levels due to the beginning of the harvest.

Certain of our long-term debt agreements require us to comply with certain financial and negative covenants. Our U.S.\$450.0 million 8.25% perpetual notes, our U.S.\$400.0 million 7.0% senior notes due in 2017 and our indirect subsidiary CCL Finance Limited's \$350,000,000 9.50% Senior Notes due in 2014 limit our ability and the ability of our subsidiaries to, among other things, enter into certain transactions with shareholders or affiliates, engage in a merger, sale or consolidation transactions and create liens.

Trend Information

Other than as disclosed elsewhere in this offering memorandum, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect upon our net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information to not necessarily be indicative of future operating results or financial condition.

Off-Balance Sheet Arrangements

Leases

For the 2010-2011 crop, we leased 403,561 hectares, through approximately 2,152 land lease contracts with an average term of five years. 30,462 of these hectares, or approximately 7.5% of the land leased by us, are leased to entities controlled by our chairman and controlling shareholder under arm's-length terms. In accordance with these 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.

Bank guarantees

As of June 30, 2010, we have entered into bank guarantees relating to legal proceedings, debt, energy auctions and concession agreements, as follows:

| | <u>In millions of U.S.\$</u> |
|------------------------|------------------------------|
| Sugar & ethanol | 175.1 |
| Fuel distribution..... | 100.5 |
| Sugar logistics | 48.9 |
| Total | <u>324.5</u> |

Tabular Disclosure of Contractual Obligations

Since June 30, 2010, there have been no material changes to the contractual obligations table contained in Cosan Limited's 20-F for the fiscal year ended March 31, 2010, which is attached as Annex I hereto. This contractual obligations table is substantially representative of our contractual obligations.

Cosan Combustíveis e Lubrificantes S.A.

CCL, a wholly-owned subsidiary of Cosan, is one of the leading fuel distribution companies in Brazil and the third largest lubricants player in Brazil by volume of liters sold as of May 31, 2010.

Following the consummation of our proposed Joint Venture, CCL will focus only on its lubricants manufacturing and marketing business given that all its fuel distribution business will be contributed to the Joint Venture. Additionally, at such point, CCL will also guarantee, on a senior unsecured basis, jointly with Cosan, all of the obligations of Cosan Overseas pursuant to the notes and the indenture. See "Descriptions of Notes—Notes Guaranty." CCL's financial information is consolidated into the results of Cosan.

The lubricant operations of CCL consist of a wholly-owned lubricants oil blending plant, located in Rio de Janeiro, with annual production capacity of 1.4 million barrels of lubricants per year, including capacity for 48,000 barrels of grease per year for fiscal year 2010. In addition, we have a pier facility at CCL's lubricants oil blending plant in Rio de Janeiro that allows us to import base stocks.

In fiscal year 2010, CCL's lubricant operations sold a total of 130.8 million liters of lubricants. For the three-month period ended June 30, 2010, CCL sold a total of 42.8 million liters of lubricants, corresponding to an estimated market share of 13.8%, according to Sindicom. CCL sells passenger vehicle lubricants, commercial vehicle lubricants and industrial lubricants under the "Mobil" and "Esso" brands, among others, both of which are licensed to

us until 2018 by ExxonMobil. CCL uses distributors and Esso-branded retail stations to sell its lubricants products, as well as direct sales to industrial customers. CCL captures significant synergies by selling through our distributors' network to our retail service station network, to industrial and wholesale customer accounts and to car and motorcycle dealerships.

For further information about the lubricants manufacturing and marketing business of CCL, please see "Summary—Overview—Lubricants," "Summary—Our Strategy—Lubricants," and "Operating and Financial Review of Prospects."

For a discussion of certain adjustments to our balance sheet and income statement, showing the impact of the Joint Venture, please see "Summary Financial and Other Information—Impact of recent developments on Selected Unaudited Financial Information derived from our unaudited balance sheet as of June 30, 2010 and the income statement for the three-month period ended June 30, 2010, expressed in Brazilian *reais* and prepared in accordance with Brazilian GAAP."

OUR PENDING JOINT VENTURE

We entered into a definitive agreement providing for the creation of a Joint Venture with Shell that will combine certain of our assets and liabilities which, if consummated, will further consolidate our position as the world's leading integrated bio-energy company. The formation of the Joint Venture is expected to occur in the first half of 2011 and is subject to customary closing conditions and receipt of required regulatory approval.

Shell

Shell is a subsidiary of Royal Dutch Shell plc. Royal Dutch Shell plc is a public limited company incorporated in England and Wales on February 5, 2002, and headquartered in The Hague, the Netherlands. Royal Dutch Shell plc is one of the world's largest independent oil and gas companies in terms of market capitalization, operating cash flow and oil and gas production. It conducts both downstream and upstream operations around the world.

Framework Agreement

On August 25, 2010, we entered into a definitive agreement, or the Framework Agreement, for the creation of the proposed Joint Venture with Shell. Pursuant to the Framework Agreement, Cosan and its subsidiaries would contribute their sugar and ethanol businesses, their energy cogeneration business, their fuel distribution and retail fuels businesses and their interests in certain ethanol logistics facilities at the Port of Santos and would transfer net debt of approximately U.S.\$2.5 billion to the Joint Venture. Cosan and its subsidiaries would transfer additional debt of up to R\$500 million from BNDES currently used for capital expenditures relating to the sugar and ethanol business from March 31, 2010 through the closing of the transaction, or the Closing. Shell and its affiliates would contribute their Brazilian fuel distribution and retail businesses, their Brazilian aviation fuels business, their beneficial interest in two companies (Iogen Corp. and Codexis, Inc.) involved in the research and development of biomass fuel, including ethanol and a capital contribution resulting in cash proceeds to the proposed Joint Venture of approximately U.S.\$1.6 billion.

Under the terms of the Framework Agreement, Cosan and its subsidiaries would retain and therefore, would not contribute to the proposed Joint Venture their lubricants manufacturing and marketing business, their sugar logistics business, their land prospecting and development business, the right to conduct their own sugar trading business globally and their sugar retail brands. The sugar retail brands would, at Cosan's election, either be used in a retail sugar business to be operated by Cosan (to the extent negotiated and agreed with Shell before the Closing) or, failing any such agreement, be licensed to the proposed Joint Venture on a fair market value basis. Shell and its affiliates would retain and would not contribute to the proposed Joint Venture their exploration and production, chemicals and gas and power businesses in Brazil, their lubricants manufacturing and marketing business, their trading business and the "Shell" brand (which will be licensed to the proposed Joint Venture for use in its downstream business, including retail in Brazil as agreed).

The proposed Joint Venture will consist of three separate legal entities.

A sugar and ethanol company, or the Sugar and Ethanol Co., which would, among other things, conduct the production of sugar and ethanol, as well as all cogeneration activities. Cosan and its subsidiaries and Shell and its affiliates would each own 50% common equity interest in this entity. In addition, Cosan and its subsidiaries would own 51% of the voting shares (and preferred shares bearing preferential dividend rights in certain circumstances), whereas Shell and its affiliates would own 49% of this entity's voting shares.

A downstream company, or the Downstream Co., which would conduct the supply, distribution and sale of fuels in Brazil. The resulting company would have a network of about 4,500 fuel stations throughout Brazil. Cosan and its subsidiaries and Shell its affiliates would likewise each own 50% common equity interest in this entity. In this entity, however, Cosan and its subsidiaries would own 49% of the voting shares, whereas Shell and its affiliates would own 51% of the voting shares. Cosan and its subsidiaries and Shell and its affiliates would also hold preferred shares bearing preferential dividend rights in certain circumstances if certain contingent targets are met.

Cosan expects to receive approximately U.S.\$300 million over the next five years in distributions from the preferred shares it will hold in each such entity.

A management company, or the Management Co., which would be the proposed Joint Venture's face to the market and would facilitate the building of a unified corporate culture. Cosan and its subsidiaries and Shell and its affiliates would each own 50% of the equity and voting interests in this company.

The formation of the proposed Joint Venture is expected to occur in the first half of 2011 and is subject to customary closing conditions, including but not limited to:

- receipt of relevant antitrust approvals;
- absence of material adverse changes with respect to Cosan or Shell, subject to certain specified exceptions;
- absence of material breaches of Brazilian law by Cosan or Shell that would result in material adverse changes, subject to certain specified exceptions;
- absence of colorable claims against Cosan or Shell that the formation of the Joint Venture entitles any of their shareholders to exercise material rights under the respective party's organizational documents or applicable law;
- completion of internal restructurings by Cosan and Shell;
- transfer of operations to dealers, as applicable, of all retail fuel stations operated by Cosan or Shell, as applicable, that are to be transferred to the Joint Venture;
- entry by Cosan into a specified judicial settlement on terms reasonably acceptable to Shell and compliance by Cosan with the terms of such settlement;
- receipt of and compliance with mill permits by Cosan on terms agreed by the parties; and
- receipt of certain specified third party consents by Cosan and Shell.

Additionally, the Framework Agreement contains indemnification provisions pursuant to which Cosan and Shell agree to indemnify each other, their respective affiliates and the Joint Venture for breaches of covenants and warranties contained in the Framework Agreement and for certain other specified matters, including all pre-closing liabilities (subject to certain limitations and exceptions).

The Framework Agreement generally provides that each party will be responsible for its own costs and expenses in the event of a termination of the Framework Agreement. However, if either Cosan or Shell validly terminates the Framework Agreement upon a willful, material breach by the other party, such breaching party will indemnify the non-breaching party for all of its costs and expenses relating to the negotiation, preparation or termination of the Framework Agreement, including the satisfaction of any of the closing conditions.

The foregoing description of the Framework Agreement does not purport to be complete and is qualified in its entirety by reference to the Framework Agreement, which is filed as Exhibit 4.3 to our Annual Report on Form 20-F for the fiscal year ended March 31, 2010.

In the event that the Sugar and Ethanol Co. or the Downstream Co. seek external financing, they shall provide financial support to each other, including by way of advancing funds to each other and guaranteeing each other's debt obligations, in each case to the extent approved by the Supervisory Board and consistent with the business plan.

The Joint Venture will be run by a management team drawn from Cosan and Shell with a proven track record in sugar, ethanol and fuels. The executive team is expected to be comprised of:

- **Vasco Dias**, current President of Shell Brasil, will be the CEO of the Joint Venture. Vasco joined Shell in 1979. He occupied positions of increasing responsibility in Brazil and abroad throughout his career and participated, in the Hague, in the team that led the global restructuring of the Shell Group. He returned to

Brazil in 1997 to hold the position of CEO of Shell Gas and, as of 2005, Retail Vice President for Latin America and Country Chair of Shell in Brazil;

- **Pedro Mizutani**, current CEO of Cosan Açúcar e Álcool, will maintain his responsibilities on sugar and ethanol production and cogeneration in the Joint Venture, with ultimate responsibility for the Sugar and Ethanol division. Mr. Mizutani has 27 years of experience in the sugar and energy sector and initiated his professional career at Cosan in the 1980's, having taken positions of increasing responsibility up to his current one. He is a member of the Board of Directors of UNICA and a professor at Fundação Getúlio Vargas's post-graduation course;
- **Luis Henrique Guimarães** will be responsible for the Joint Venture's Downstream division, which covers the retail, commercial and aviation businesses. Luis Henrique joined Shell in 1987 and worked in several positions in the lubricants and retail businesses in Brazil and abroad (based in London). In 2007 he took the position of Shell's Chief Marketing Officer for Lubricants in North America, based in Houston;
- **Leonardo Gadotti Filho**, who is currently CEO of CCL, will manage logistics, supply and distribution for the Joint Venture. Mr. Leonardo Gadotti joined Esso Brasileira in 1980 as an intern and took positions of increasing responsibility in Brazil and abroad. He is currently the President of Sindicom, a board member of the Brazilian Institute for Ethics in Competition (*Instituto Brasileiro de Etica Concorrencial*) and a board member of the Brazilian Institute for Petrol, Gas and Biofuels (*Instituto Brasileiro de Petroleo, Gás e Biocombustíveis*); and
- **Carlos Alberto Piotrowski**, current Corporate VP of Cosan, will maintain his responsibilities to manage the Business Support Center. Carlos joined Esso Brasileira in 1984 and worked in different areas in Brazil and abroad, having led the transition of the Latin America area of fuels distribution in connection with the Exxon-Mobil merger. He returned to Brazil in 2007 to become the President of Esso Brasileira from 2007 until 2009, when it became CCL.

The executive board of the Joint Venture will be overseen by the supervisory board. The supervisory board will be responsible for appointing members of the executive board and will monitor the activities and reports of the executive board. The supervisory board will be comprised of three directors nominated by Cosan and three directors nominated by Shell. Our chairman, Rubens Ometto Silveira Mello, will be chairman of the supervisory board. Cosan and Shell will each designate a shareholder representative who will be responsible for determining the Joint Venture's strategic priorities and resolving any deadlock within the supervisory board. Our shareholder representative will be Rubens Ometto Silveira Mello.

Other Agreements

Shell and Cosan have also negotiated but have not yet entered into other definitive agreements, among others, concerning the scope of the proposed Joint Venture, the governance and management of the proposed Joint Venture and the granting of reciprocal put and call options concerning their interests in the proposed Joint Venture. Each of these agreements will be entered into at the Closing.

The shareholders' agreements for Sugar and Ethanol Co. and Downstream Co. establish the scope and governance of the proposed Joint Venture, as well as its dividend policy. The agreements provide that the scope of the proposed Joint Venture will be the global production of sugar cane-based ethanol and sugar and the distribution, commercialization and sale of fuel products within Brazil. Cosan, Shell and their respective affiliates will be prohibited from competing with the proposed Joint Venture as long as they remain shareholders of the proposed Joint Venture (subject to customary exceptions).

The shareholders' agreements provide that the proposed Joint Venture will be governed by supervisory boards that will be comprised of six members: three nominated by Cosan, with Mr. Rubens Ometto Silveira Mello acting as chairman, and three nominated by Shell. Decisions by the supervisory boards will generally be made by majority vote. Certain significant matters, however, will require the consent of five of the six or four of the six members, as the case may be.

The matters which require the consent of five of the six or four of the six members include but are not limited to the following:

- setting the general strategic guidelines and direction for the Joint Venture and amending and updating the Joint Venture's business plan;
- appointing, removing or terminating members of the executive board;
- determining the compensation and benefits of certain employees;
- amending key policies and procedures of the Joint Venture;
- adopting or amending the annual and capital budgets;
- instituting or settling any litigation or dispute in excess of a specified sum or which could damage the reputation of the Joint Venture, Cosan or Shell;
- selling, assigning, transferring or encumbering assets of the Joint Venture outside of the ordinary course of business in excess of a specified amount;
- entering into transactions (including mergers, stock purchases or asset purchases) of which the value or purchase price exceeds a specified amount;
- making capital expenditures in excess of a specified amount, subject to certain exceptions;
- submitting any matters, including financial statements and reports, to the meeting of the Joint Venture's shareholders;
- entering into any contract, agreement or instrument outside of the ordinary course of business and that provides for payments in excess of a specified amount;
- entering into material amendments, modifications or waivers or terminating any contract where payment obligations exceed a specified amount;
- making any decision to borrow money or guarantee the payment or performance of any obligation in excess of a specified amount or to prepay indebtedness of a specified amount;
- creating any encumbrance over or the issuance of any Joint Venture securities or any option relating to any Joint Venture securities, subject to certain exceptions;
- approving the credit limits or the extension of credit to any customer of the Joint Venture in excess of a specified amount; and
- entering into, amending, terminating or renewing any insurance policy.

If the supervisory boards cannot reach a decision with respect to a matter that is their responsibility, one representative of Cosan and one representative of Shell will meet to attempt to resolve the matter. Any decision by these shareholder representatives must be unanimous. If the shareholder representatives cannot reach a joint decision, no decision would be taken or effected and the *status quo* would prevail.

Additionally, certain matters require the consent of the shareholders of the proposed Joint Venture. These matters include, but are not limited to, removal of any member of a supervisory board; approval of supervisory board resolutions relating to dividend payments; approval of management accounts and financial statements; amendments to the by-laws of Sugar and Ethanol Co. or Downstream Co.; and issuance of securities by the proposed 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 proposed Joint Venture will be conducted by executive boards, composed of a chief executive officer and other senior executive officers. The shareholders' agreements set forth the various functions and responsibilities of the chief executive officer and senior management, as well as the actions that may be taken by the executives without the approval of the relevant supervisory board.

Dividend Policy

The shareholders' agreements also establish the dividend policy of the proposed Joint Venture. The dividend policy states that the proposed Joint Venture will seek to maximize the amount of profits to be distributed to its shareholders in a manner consistent with its leverage ratio objectives and capital investment requirements. The supervisory boards must propose, and the shareholders approve, an allocation of the net profit of the proposed Joint Venture in accordance with the shareholders' agreements. The shareholders' agreements provide that net profit will be subject to the following allocation order:

- *first*, up to 5% of net profit to the respective company's legal reserve, which may not exceed a specified amount, the lower of 20% of the respective company's capital stock or 30% of the capital plus any capital surplus;
- *second*, a variable amount of net profit to each shareholder based on certain tax attributes contributed by it to the proposed Joint Venture; Cosan is entitled to receive preferential dividends equivalent to the amount of any tax savings from the amortization of goodwill it contributes to the Joint Venture. Similarly, Shell is entitled to receive preferential dividends equivalent to the amount of any tax savings from the amortization of accumulated losses that it contributes to the Joint Venture;
- *third*, a nominal amount of net profit to the holders of certain preferred shares;
- *fourth*, 1% of net profit to the shareholders;
- *fifth*, a variable amount, capped at a specified percentage of net profit, to the respective company's statutory reserve for operations and projects, such amount is currently projected not to exceed 50% of net profits or 80% of the respective company's share capital; and
- *sixth*, the distribution of the remaining amount of net profit to be determined the shareholders.

Put and Call Options

The form of joint venture agreement provides that Cosan and Shell will grant each other certain options. On the 10th anniversary of the Closing, Shell will have a call option to buy half or all of Cosan's equity interests in the proposed Joint Venture. Cosan will have the right to elect whether it would sell half or all of its interests in the proposed Joint Venture to Shell after the exercise of Shell's call option. In addition, on the 15th anniversary of the Closing, Shell would have an additional call option to buy Cosan's equity interest at that time in the Joint Venture. If Shell does not exercise such call option, Cosan would have a call and/or put option depending on its equity interest at that time. The options' exercise prices will be based on the value of the equity interests in the proposed Joint Venture at the time of the option exercise, determined by using an appraisal and dispute resolution process based on the fair market value of the proposed Joint Venture six months before the options are exercised. There will also be call and put options in certain other limited circumstances, including in the event of a fundamental breach (as defined in the joint venture agreement) by either party (at an agreed discount to fair market value) and in the case of the death or disability of Cosan's Chairman, Rubens Ometto Silveira Mello (at fair market value). Additionally, the joint venture agreement contains transfer restrictions on the interests of the shareholders in the proposed Joint Venture until the lapse of the options described above (i.e., 15th anniversary of the Closing). There will also be restrictions on any transfers of controlling interests in Cosan and Cosan Limited during certain periods in order to give effect to the options related to the interests of each party in the proposed Joint Venture.

The form of operating and coordination agreement sets forth the roles and responsibilities of Management Co. and certain policies and procedures for the proposed Joint Venture.

The foregoing descriptions of the forms of joint venture agreement and the operating and coordination agreement do not purport to be complete and are qualified in their entirety by reference to the form of joint venture agreement which is filed as Exhibit 4.4 and the form of operating and coordination agreement which is filed as Exhibit 4.5 to our annual report on Form 20-F for the fiscal year ended March 31, 2010.

Accounting Treatment of Joint Venture

The CVM has determined that IFRS should be used as the basis for consolidated financial statements of public companies from 2010 and onward. In addition, Law 11,638 was enacted in 2007 and took effect from 2008, and requires all Brazilian companies to prepare their financial statements in accordance with a new set of local standards which are currently being issued and are based on IFRS standards. Consequently, for the year ended March 31, 2011, we will present our financial statements in accordance with IFRS as issued by the IASB.

Upon the formation of the Joint Venture which is expected to occur in the first half of 2011, we will hold 51% of the voting shares (and preferred shares bearing preferential dividend rights in certain circumstances) of the Sugar and Ethanol Co., 49% of the voting shares of the Downstream Co., and 50% of the equity and voting interests of the Management Co., and we will control them jointly with Shell. We will contribute some of our net assets at their fair value, which will correspond to the new book value for the legal entities of the Joint Venture.

IAS 31 - Financial Reporting of Interests in Joint Venture under IFRS permits us to use either the proportional consolidation or the equity method of accounting for jointly controlled entities. Although we have not yet selected which method we will use, we believe we will likely use the proportional consolidation method to record our interest in the Joint Venture due to the relative importance of such investment.

However, we note that the IASB has issued an Exposure Draft (ED 9 — Joint Arrangements) which proposes to remove the option to use a proportional consolidation method for jointly controlled entities. If approved, we will be required to utilize the equity method of accounting to record our interest in the Joint Venture. We are currently unaware of whether this Exposure Draft will be approved, and if approved, its effective date.

DESCRIPTION OF NOTES

We will issue the notes pursuant to an indenture, to be dated as of November 5, 2010, entered into among Cosan Overseas, as issuer, Cosan, as guarantor, The Bank of New York Mellon, as trustee (which term includes any successor as trustee under the indenture), New York paying agent, transfer agent and registrar, The Bank of New York Mellon (London Branch), as London Paying agent and The Bank of New York Mellon (Luxembourg) S.A., as paying agent and transfer agent. Under the indenture, we have appointed a registrar, paying agents and transfer agents, which are identified on the inside back cover page of this offering memorandum. A copy of the indenture, including the form of the notes, is available for inspection during normal business hours at the offices of the trustee and any of the other paying agents set forth on the inside back cover page of this offering memorandum.

You will find the definitions of capitalized terms used in this section under “—Certain Definitions.” For purposes of this section of this offering memorandum, references to (i) “Cosan Overseas” refer to Cosan Overseas Limited, (ii) “Cosan” refer only to Cosan S.A. Indústria e Comércio and not to its subsidiaries, and (iii) “CCL” refer only to Cosan Combustíveis e Lubrificantes S.A. and not to its subsidiaries.

General

The notes:

- will be senior unsecured obligations of Cosan Overseas;
- will initially be issued in an aggregate principal amount of U.S.\$300,000,000;
- will be perpetual notes with no fixed final maturity date;
- will be issued in denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof;
- will be represented by one or more registered notes in global form and may be exchanged for notes in definitive form only in limited circumstances; and
- will be fully and unconditionally guaranteed on a senior unsecured basis by Cosan and, upon consummation of the Joint Venture, CCL.

Interest on the notes:

- will accrue at the rate of 8.25% *per annum*;
- will accrue from November 5, 2010;
- will be payable in cash quarterly in arrears on February 5, May 5, August 5 and November 5 of each year, commencing on February 5, 2011;
- will be payable to the holders of record on the business day immediately preceding the related interest payment dates; provided that if notes are certificated notes, the record date shall mean 15 days prior to the related interest payment dates; and
- will be computed on the basis of a 360-day year composed of twelve 30-day months.

Principal of, and interest and any additional amounts on, the notes will be payable, and the transfer of notes will be registrable, at the office of the trustee, and at the offices of the paying agents and transfer agents, respectively. For so long as the notes are listed on the EuroMTF of the Luxembourg Stock Exchange, Cosan Overseas will maintain a paying agent and transfer agent in Luxembourg.

Ranking

The notes and each Notes Guaranty will be senior unsecured obligations of Cosan Overseas and the Guarantors, respectively, ranking equally with all of their other respective unsecured obligations. However, the notes will effectively rank junior to all secured debt of Cosan Overseas and the Guarantors to the extent of the value of the assets securing that debt.

As of June 30, 2010, Cosan and its Subsidiaries had U.S.\$3,388.2 million of outstanding debt on a consolidated basis, of which U.S.\$1,046.8 million was secured debt.

Part of our operations is conducted through our subsidiaries and jointly controlled companies, which may have, or may issue, substantial debt.

Under Brazilian law, as a general rule, holders of the notes will not have any claim whatsoever against non-guarantor subsidiaries of Cosan.

Notes Guaranty

Cosan will fully and unconditionally guarantee, on a senior unsecured basis, all of the obligations of Cosan Overseas pursuant to the notes and the indenture. Upon consummation of the Joint Venture, CCL will also guarantee, on a senior unsecured basis, all of the obligations of Cosan Overseas pursuant to the notes and the indenture.

There is no assurance that the Joint Venture will be consummated. See “Risk Factors—Risks Relating to the Joint Venture—We have entered into a definitive agreements to form a Joint Venture with Shell to further develop our sugar and ethanol and fuel distribution businesses. We cannot guarantee that the Joint Venture will be consummated or that it will be successful.”

Each Notes Guaranty will be limited to the maximum amount that would not render such Guarantor’s obligations subject to avoidance under applicable fraudulent conveyance laws. By virtue of this limitation, each Guarantor’s obligation under its Notes Guaranty could be significantly less than amounts payable with respect to the notes, or such Guarantor may have effectively no obligation under its Notes Guaranty. See “Risk Factors—Risks Relating to the Notes and the Guarantee—A finding that a guarantee of the notes was a fraudulent conveyance could result in noteholders losing their legal claim against the relevant guarantor.”

The Notes Guaranty will terminate upon defeasance of the notes, as described under the caption “—Defeasance.”

Redemption

The notes will not be redeemable, except as described below. Any optional or tax redemption may require the prior approval of the Central Bank.

Optional Redemption

The notes will be redeemable, at the option of Cosan Overseas or Cosan, in whole or in part, on any interest payment date on or after November 5, 2015, upon giving not less than 30 nor more than 60 days’ notice to the holders (which notice will be irrevocable), at 100% of the principal amount thereof, plus accrued interest and any additional amounts payable with respect thereto. Any redemption of notes by Cosan Overseas or Cosan pursuant to this paragraph will be subject to either (i) there being at least U.S.\$150.0 million in aggregate principal amount of notes (including any additional notes) outstanding after such redemption or (ii) Cosan Overseas or Cosan redeeming all of the then-outstanding principal amount of the notes.

Tax Redemption

If as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of the Cayman Islands, Brazil or any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment

to or change in an official interpretation, administration or application of such laws, treaties, rules, or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the issue date of the notes or on or after the date a successor assumes the obligations under the notes, (i) Cosan Overseas or any successor has or will become obligated to pay any additional amounts as described below under “—Additional Amounts” or (ii) either of the Guarantors or any successor has or will become obligated to pay additional amounts as described below under “—Additional Amounts” in excess of the additional amounts the Guarantors or any such successor would be obligated to pay if payments were subject to withholding or deduction at a rate of 15% or at a rate of 25% in case the holder of the notes is resident in a tax haven jurisdiction for Brazilian tax purposes (i.e., a country that does not impose any income tax or that imposes it at a maximum rate lower than 20% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership) (the “Minimum Withholding Level”), as a result of the taxes, duties, assessments and other governmental charges described below, Cosan Overseas, the Guarantors or any such successor may, at its option, redeem all, but not less than all, of the notes, at a redemption price equal to 100% of their principal amount, together with interest accrued to the date fixed for redemption, upon delivery of irrevocable notice not less than 30 days nor more than 90 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 90 days prior to the earliest date on which (x) Cosan Overseas or any successor would, but for such redemption, be obligated to pay any additional amounts, or (y) in the case of payments made under the Note Guaranty, either Guarantor or any successor would, but for such redemption, be obligated to pay the additional amounts above the Minimum Withholding Level. Cosan Overseas, the Guarantors or any such successor shall not have the right to so redeem the notes unless (a) Cosan Overseas or any successor becomes obligated to pay additional amounts or (b) either Guarantor or any successor becomes obligated to pay the additional amounts above the Minimum Withholding Level. Notwithstanding the foregoing, Cosan Overseas, the Guarantors or any successor shall not have the right to so redeem the notes unless: (i) it has taken reasonable measures to avoid the obligation to pay additional amounts (provided, however for this purpose reasonable measures shall not include Cosan Overseas, the Guarantors or any successor moving or changing jurisdiction); and (ii) it has complied with all necessary Central Bank regulations to legally effect such redemption.

In the event that Cosan Overseas or any successor elects to so redeem the notes, it will deliver to the trustee: (1) an officers’ certificate, signed in the name of Cosan Overseas or any successor, stating that Cosan Overseas or any successor is entitled to redeem the notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of Cosan Overseas or any successor to so redeem have occurred or been satisfied; and (2) an opinion of counsel, reasonably acceptable to the trustee, to the effect that Cosan Overseas or any successor has or will become obligated to pay additional amounts or either Guarantor or any successor to the Guarantor has or will become obligated to pay additional amounts in excess of the additional amounts payable at the Minimum Withholding Level as a result of the change or amendment, that Cosan Overseas, either Guarantor or any successor, as the case may be, cannot avoid payment of such excess additional amounts by taking reasonable measures available to it and that all governmental requirements necessary for Cosan Overseas or any successor to effect the redemption have been complied with.

Repurchase of Notes upon a Change of Control

Not later than 30 days following a Change of Control that results in a Rating Decline, Cosan Overseas will make an Offer to Purchase all outstanding notes at a purchase price equal to 101% of the principal amount plus accrued interest to the date of purchase.

An “Offer to Purchase” must be made by written offer, which will specify the principal amount of notes subject to the offer and the purchase price. The offer must specify an expiration date (the “expiration date”) not less than 30 days or more than 60 days after the date of the offer and a settlement date for purchase (the “purchase date”) not more than five Business Days after the expiration date. The offer must include information concerning the business of Cosan and its Subsidiaries which Cosan Overseas in good faith believes will enable the holders to make an informed decision with respect to the Offer to Purchase. The offer will also contain instructions and materials necessary to enable holders to tender notes pursuant to the offer.

A holder may tender all or any portion of its notes pursuant to an Offer to Purchase, subject to the requirement that if a holder tenders only a portion of its notes, the remaining notes must be no less than U.S.\$100,000 in principal amount and in multiples of U.S.\$1,000 in excess thereof. Holders are entitled to withdraw notes tendered up to the

close of business on the expiration date. On the purchase date the purchase price will become due and payable on each note accepted for purchase pursuant to the Offer to Purchase, and interest on notes purchased will cease to accrue on and after the purchase date.

Cosan Overseas will agree in the indenture to obtain all necessary consents and regulatory approvals under the laws of the Cayman Islands and Brazil prior to making any Offer to Purchase. Any failure to obtain such consents and approvals will constitute an Event of Default.

Future debt of Cosan may provide that a Change of Control is a default or require repurchase upon a Change of Control. Moreover, the exercise by the noteholders of their right to require Cosan Overseas to purchase the notes could cause a default under other debt of Cosan, even if the Change of Control itself does not, due to the financial effect of the purchase on Cosan. In addition, the remittance of funds outside of Brazil to or for the benefit of the noteholders requires the consent of the Central Bank, which may not be granted. Finally, Cosan's ability to pay cash to the noteholders following the occurrence of a Change of Control may be limited by Cosan's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the notes. See "Risk Factors—Certain Factors Relating to the Notes and the Guarantees—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."

The phrase "all or substantially all," as used with respect to the assets of Cosan in the definition of "Change of Control," is subject to interpretation under applicable state law, and its applicability in a given instance would depend upon the facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of Cosan has occurred in a particular instance, in which case a holder's ability to obtain the benefit of these provisions could be unclear.

In addition, pursuant to the terms of the indenture, we are only required to offer to repurchase the notes in the event that a Change of Control results in a Rating Decline. Consequently, if a Change of Control were to occur which does not result in a Rating Decline, we would not be required to offer to repurchase the notes.

Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holder of the notes to require that Cosan Overseas purchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

The provisions under the indenture relating to Cosan Overseas' obligation to make an offer to repurchase the notes as a result of a Change of Control may be waived or amended as described in "—Amendment, Supplement, Waiver."

Open Market Purchases

Cosan Overseas or its affiliates may at any time purchase notes in the open market or otherwise at any price. Any such purchased notes will not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

Payments

Cosan Overseas will make all payments on the notes exclusively 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.

Cosan Overseas will make payments of principal and interest on the notes to trustee or the paying agent (as identified on the inside back cover page of this offering memorandum), which will pass such funds to the other paying agents or to the holders. See "Taxation—Cayman Islands Tax Considerations" and "—Brazilian Taxation."

Cosan Overseas will make payments of principal upon surrender of the relevant notes at the specified office of the trustee or any of the paying agents. Cosan Overseas will pay interest on the notes to the persons in whose name the notes are registered at the close of business of the record dates specified under "—General". Payments of principal and interest in respect of each note will be made by the paying agents by U.S. dollar check drawn on a bank in New

York City and mailed to the holder of such note at its registered address. Upon written application by the holder to the specified office of any paying agent not less than 15 days before the due date for any payment in respect of a note, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City.

Under the terms of the indenture, payment by Cosan Overseas of any amount payable under the notes on the due date thereof to the trustee or any paying agent in accordance with the indenture will satisfy the obligation of Cosan Overseas to make such payment; *provided, however*, that the liability of the trustee or any paying agent shall not exceed any amounts paid to it by Cosan Overseas, or held by it, on behalf of the holders under the indenture. Cosan Overseas has agreed in the indenture to indemnify the holders in the event that there is subsequent failure by the trustee or any paying agent to pay any amount due in respect of the notes in accordance with the indenture (including, without limitation, any failure to pay any amount due as a result of the imposition of any present or future taxes, duties, assessments, fees or governmental charges of whatever nature (and any fines, penalties or interest related thereto) imposed or levied by or on behalf of the jurisdiction of the paying agent or any political subdivision or authority thereof or therein, having power to tax) as will result in the receipt by the holders of such amounts as would have been received by them had no such failure occurred.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of “—Additional Amounts.” No commissions or expenses will be charged to the holders in respect of such payments.

Subject to applicable law, the trustee and the paying agents will pay to Cosan Overseas upon written request any monies held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to Cosan Overseas for payment as general creditors. After the return of such monies by the trustee or the paying agents to Cosan Overseas, neither the trustee nor the paying agents shall be liable to the holders in respect of such monies.

Transfer of Notes

Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or the specified office of any transfer agent. Each new note to be issued upon exchange of notes or transfer of notes will, within five business days of the receipt of a request for exchange or form of transfer, be mailed at the risk of the holder entitled to the note to such address as may be specified in such request or form of transfer.

Notes will be subject to certain restrictions on transfer as more fully set out in the indenture. See “Transfer Restrictions.” Transfer of beneficial interests in the global note will be effected only through records maintained by Euroclear and Clearstream. See “Form of Notes.”

Transfer will be effected without charge by or on behalf of Cosan Overseas, the registrar or the transfer agents, but upon payment, or the giving of such indemnity as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it. Cosan Overseas, the registrar and the transfer agents are not required to transfer or exchange any note selected for redemption.

No holder may require the transfer of a note to be registered during the period of one business day prior to (with respect to global notes) or 15 days ending on the due date for any payment of principal or interest on that note.

Additional Amounts

All payments by Cosan Overseas in respect of the notes or the Guarantors in respect of the Notes Guaranty 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 the Cayman Islands, or Brazil, or any authority therein or thereof in the case of payments under the notes or under the Note Guaranty, unless Cosan Overseas or the Guarantors are compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, Cosan Overseas or the Guarantors will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be

necessary to ensure that the net amounts receivable by holders of notes after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the notes in the absence of such withholding or deduction. No such additional amounts shall be payable:

(1) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such note by reason of the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership, or a corporation) and the Cayman Islands and/or Brazil, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the note or enforcement of rights and the receipt of payments with respect to the note;

(2) in respect of notes surrendered (if surrender is required) more than 30 days after the Relevant Date (as defined below) except to the extent that payments under such note would have been subject to withholdings and the holder of such note would have been entitled to such additional amounts, on surrender of such note for payment on the last day of such period of 30 days;

(3) where such additional amount is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, any European Union Directive on the taxation of savings;

(4) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or other governmental charges by reason of such holder's failure to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Cayman Islands, or Brazil, or a successor jurisdiction or applicable political subdivision or authority thereof or therein having power to tax, of such holder, if (a) compliance is required by such jurisdiction, or any political subdivision or authority thereof or therein having power to tax, as a precondition to, exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (b) Cosan Overseas or any of the Guarantors has given the holders at least 30 days' notice that holders will be required to provide such certification, identification or other requirement;

(5) in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;

(6) in respect of any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the note or by direct payment by Cosan Overseas or the Guarantors in respect of claims made against Cosan Overseas or the Guarantors; or

(7) in respect of any combination of the above.

In addition, no additional amounts shall be paid with respect to any payment on a note to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of the Cayman Islands, or Brazil, or any political subdivision thereof 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 interestholder 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.

The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation. Except as specifically provided in the indenture, neither Cosan Overseas nor the Guarantors shall be required to make a payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

In the event that additional amounts actually paid with respect to the notes described above are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such notes,

and, as a result thereof such holder is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to Cosan Overseas or the Guarantors, as applicable.

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 Cosan Overseas or the Notes Guaranty by the Guarantors will be deemed also to refer to any additional amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this subsection.

The foregoing obligation will survive termination or discharge of the indenture.

Covenants

The indenture contains the following covenants:

Limitations and Restrictions on Cosan Overseas

The indenture limits and restricts Cosan Overseas from taking the following actions or engaging in the following activities or transactions:

- (1) engaging in any business or entering into, or being a party to, any transaction or agreement, other than:
 - (A) the issuance, sale, redemption, repurchase or defeasance of the notes, additional notes and any other Debt not otherwise prohibited for Cosan by the indenture and any activities incidentally related thereto;
 - (B) entering into cash management transactions, import and export financing transactions and any intercompany loans to Cosan and its Subsidiaries and any activities reasonably related thereto;
 - (C) entering into Hedging Agreements related to the notes, additional notes and any other Debt not otherwise prohibited for Cosan by the indenture; and
 - (D) as required by law.
- (2) acquiring or owning any subsidiaries or other assets or properties, except (i) an interest in Hedging Agreements relating to its Debt and instruments evidencing interests in the foregoing, (ii) cash, Cash Equivalents or Marketable Securities, (iii) any assets related to import and export financing transactions, and (iv) the notes, additional notes and any other Debt not otherwise prohibited for Cosan by the indenture;
- (3) incurring any additional Debt, except for any additional Debt (i) incurred solely for the purpose of complying with its obligations under the notes, (ii) the issuance of additional notes, (iii) in respect of Hedging Agreements relating to its Debt or (iv) any other Debt not otherwise prohibited for Cosan by the indenture;
- (4) creating, assuming, incurring or suffering to exist any Lien upon any properties or assets whatsoever, except for any liens permitted under “—Limitation and Restrictions on Cosan and its Subsidiaries—Limitation on Liens”; and
- (5) entering into any consolidation, merger, amalgamation, joint venture, or other form of combination with any person, or selling, leasing, conveying or otherwise disposing of any of its assets or receivables except (i) to the extent that it complies with the conditions set forth in “—Limitation and

Restrictions on Cosan and its Subsidiaries—Limitation on Consolidation, Merger or Transfer of Assets” (substituting “Cosan Overseas” for “Guarantors” and “notes” for “guarantee” therein) and (ii) with an Affiliate of Cosan Overseas solely for the purpose of reincorporating Cosan Overseas in another jurisdiction (so long as reincorporation in such jurisdiction does not materially adversely affect the rights of the holders of the notes).

In addition, prior to the consummation of the Joint Venture, Cosan will covenant to beneficially own, directly or indirectly through any Subsidiary, at least 90% of the shares of Capital Stock of Cosan Overseas.

Limitation and Restrictions on Cosan and its Subsidiaries

Limitation on Liens

Cosan will not, and will not permit any Subsidiary to, create or suffer to exist any Lien upon any of its property or assets now owned or hereafter acquired by it or on any Capital Stock of any Subsidiary, securing any obligation unless contemporaneously therewith effective provision is made to secure the notes equally and ratably with such obligation for so long as such obligation is so secured. The preceding sentence will not require Cosan or any Subsidiary to equally and ratably secure the notes if the Lien consists of the following:

- (1) any Lien existing on the date of the indenture, and any extension, renewal or replacement thereof or of any Lien in clause (2), (3) or (4) below; *provided, however*, that the total amount of Debt so secured is not increased;
- (2) any Lien on any property or assets (including Capital Stock of any person) securing Debt incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets after the date of the indenture; *provided* that (a) the aggregate principal amount of Debt secured by the Liens will not exceed (but may be less than) the cost (*i.e.*, purchase price) of the property or assets so acquired, constructed or improved and (b) the Lien is incurred before, or within 365 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets of Cosan or any Subsidiary; and *provided, further*, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the person so acquired;
- (3) any Lien securing Debt for the purpose of financing all or part of cost of the acquisition, construction or development of a project; *provided* that the Liens in respect of such Debt are limited to assets (including Capital Stock of the project entity) and/or revenues of such project; and *provided, further*, that the Lien is incurred before, or within 365 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets of Cosan or any Subsidiary;
- (4) any Lien existing on any property or assets of any person before that person’s acquisition (in whole or in part) by, merger into or consolidation with Cosan or any Subsidiary after the date of the indenture; *provided* that the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation;
- (5) any Lien imposed by law that was incurred in the ordinary course of business, including, without limitation, carriers’, warehousemen’s and mechanics’ liens and other similar encumbrances arising in the ordinary course of business, in each case for sums not yet due or being contested in good faith by appropriate proceedings;
- (6) any pledge or deposit made in connection with workers’ compensation, unemployment insurance or other similar social security legislation, any deposit to secure appeal bonds in proceedings being contested in good faith to which Cosan or any Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which Cosan or any Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;
- (7) any Lien in favor of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of Cosan or any Subsidiary in the ordinary course of business;

(8) any Lien securing taxes, assessments and other governmental charges, the payment of which are not yet due or are being contested in good faith by appropriate proceedings and for which such reserves or other appropriate provisions, if any, have been established as required by GAAP;

(9) minor defects, easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, licenses, restrictions on the use of property or assets or minor imperfections in title that do not materially impair the value or use of the property or assets affected thereby, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of Cosan or any Subsidiary, and which are made on customary and usual terms applicable to similar properties;

(10) any rights of set-off of any person with respect to any deposit account of Cosan or any Subsidiary arising in the ordinary course of business;

(11) any Liens granted to secure borrowings from, directly or indirectly, (a) *Banco Nacional de Desenvolvimento Econômico e Social*, or BNDES, or any other Brazilian governmental development bank or credit agency or (b) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer;

(12) any Liens on the inventory or receivables of Cosan or any Subsidiary securing the obligations of such person under any lines of credit or working capital facility or in connection with any structured export or import financing or other trade transaction; *provided* that the aggregate principal amount of Debt incurred that is secured by receivables that will fall due in any calendar year shall not exceed (a) with respect to transactions secured by receivables from export sales, 80% of Cosan's consolidated gross revenues from export sales for the immediately preceding calendar year; or (b) with respect to transactions secured by receivables from domestic (Brazilian) sales, 80% of Cosan's consolidated gross revenues from sales within Brazil for the immediately preceding calendar year; and *provided, further*, that Advance Transactions will not be deemed transactions secured by receivables for purpose of the above calculation;

(13) any Lien securing Hedging Agreements so long as such Hedging Agreements are entered into for bona fide, non-speculative purposes;

(14) any Lien securing obligations under the documentation governing the establishment and operation of the Joint Venture pursuant to which Cosan will pledge, among others, certain dividends, interest on capital and shares to Shell or its Affiliates; and

(15) in addition to the foregoing Liens set forth in clauses (1) through (14) above, Liens securing Debt of Cosan or any Subsidiary (including, without limitation, guarantees of Cosan or any Subsidiary) which in aggregate principal amount, at any time of determination, do not exceed 15% of Cosan's Total Consolidated Assets; *provided*, that, after the consummation of the Joint Venture and during the period the assets of Sugar and Ethanol Co. and the Downstream Co. (as each term is defined herein) are permitted to be consolidated in the calculation of Total Consolidated Assets in a manner substantially consistent (as adjusted to reflect the then current equity ownership in such entity) with the consolidation of such assets on the date the Joint Venture is consummated, Liens securing Debt of Cosan or any Subsidiary permitted pursuant to this clause (15) shall not exceed 7.5% of Cosan's Total Consolidated Assets.

Limitation on Consolidation, Merger or Transfer of Assets

No Guarantor will consolidate with or merge with or into, or sell, convey, transfer, dispose of or lease all or substantially all of its assets to, any person, unless:

(1) the surviving person (if not such Guarantor) will be a person organized and existing under the laws of Brazil, the United States of America, any State thereof or the District of Columbia, or any other country that is a member country of the European Union or of the Organization for Economic Co-operation and Development on the date of the indenture, and such person expressly assumes, by a supplemental

indenture to the indenture, executed and delivered to the trustee, all the obligations of such Guarantor under the Notes Guaranty and the indenture;

(2) the surviving person (if not such Guarantor), if not organized and existing under the laws of Brazil, undertakes, in such supplemental indenture, to pay such additional amounts in respect of principal (and premium, if any) and interest as may be necessary in order that every net payment receivable in respect of the notes after deduction or withholding for or on account of any present or future tax, duty, assessment or other governmental charge imposed by such other country or any political subdivision or taxing authority thereof or therein will not be less than the amount of principal (and premium, if any) and interest then due and payable on the notes, subject to the same exceptions set forth under “—Additional Amounts” but replacing existing references in such clause to Brazil with references to the other country;

(3) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(4) such Guarantor will have delivered to the trustee an officers’ certificate and an opinion of independent legal counsel, each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with the indenture.

The trustee will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in this covenant, in which event it will be conclusive and binding on the holders.

For the avoidance of doubt, this covenant will not apply to the consummation of the Joint Venture. Notwithstanding the foregoing, this covenant will not apply to any sale, conveyance, transfer, or disposition resulting from the exercise of any put or call options (an “Option Exercise”) by Cosan, Shell or any other party to the definitive agreements to the Joint Venture if either (i) such Option Exercise does not result in a Rating Decline or (ii) within 360 days after the receipt of any Net Cash Proceeds from such Option Exercise, Cosan or any Subsidiary of Cosan uses the Net Cash Proceeds to (in each case, a “Permitted Reinvestment”):

(1) permanently repay Debt (other than Subordinated Debt) of Cosan or any Subsidiary of Cosan (and in the case of a revolving credit, permanently reduce the commitment thereunder by such amount), in each case owing to a person other than Cosan or any Subsidiary of Cosan,

(2) acquire all or substantially all of the assets of a Permitted Business, or a majority of the Voting Stock of another person that thereupon becomes a Subsidiary engaged in a Permitted Business, or to make capital expenditures or otherwise acquire long-term assets that are to be used in a Permitted Business; or

(3) acquire Productive Assets for Cosan or any of its Subsidiaries.

Notes Guaranty by CCL

Upon consummation of the Joint Venture, Cosan will cause CCL to:

(1) execute and deliver to the trustee within ten business days a supplemental indenture to the indenture pursuant to which CCL shall fully and unconditionally guarantee, on a senior unsecured basis, all of Cosan Overseas’ obligations under the notes and the indenture; and

(2) deliver to the trustee one or more opinions of counsel that such supplemental indenture (a) has been duly authorized, executed and delivered by CCL and (b) constitutes a valid and legally binding obligation of CCL in accordance with its terms.

Reporting Requirements

Cosan will provide the trustee with the following reports (and will also provide the trustee with sufficient copies, as required, of the following reports referred to in clauses (1), (2) and (4) below for distribution, at their expense, to all holders of notes):

(1) an English language version of its annual audited consolidated financial statements prepared in accordance with GAAP promptly upon such financial statements becoming available but not later than 120 days after the close of its fiscal year;

(2) an English language version of its unaudited quarterly financial statements prepared in accordance with GAAP promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of its fiscal year);

(3) simultaneously with the delivery of the financial statements referred to in clause (1) above, an officers' certificate stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which Cosan is taking or proposes to take with respect thereto;

(4) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) Cosan with the Luxembourg Stock Exchange or any other stock exchange on which the notes may be listed (in each case, to the extent that any such report or notice is generally available to its security holders or the public in Brazil); and

(5) as soon as practicable and in any event within 30 calendar days after any director or executive officer of Cosan Overseas or any Guarantor becomes aware of the existence of a Default or Event of Default, an officers' certificate setting forth the details thereof and the action which Cosan is taking or proposes to take with respect thereto.

If Cosan makes available the reports described in clauses (1), (2) or (4) on Cosan's website and notifies the trustee in writing thereof, it will be deemed to have satisfied the reporting requirement set forth in such applicable clause.

Delivery of the above reports to the trustee is for informational purposes only and the trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including Cosan Overseas' or any Guarantor's compliance with any of its covenants in the indenture (as to which the trustee is entitled to rely exclusively on officers' certificates).

Events of Default

An "Event of Default" occurs if:

(1) Cosan Overseas defaults in any payment of interest (including any related additional amounts) on any note when the same becomes due and payable, and such default continues for a period of 30 days;

(2) Cosan Overseas defaults in the payment of the principal (including any related additional amounts) of any note when the same becomes due and payable upon acceleration or redemption or otherwise;

(3) Cosan Overseas fails to make an Offer to Purchase and thereafter to accept and pay for notes tendered when and as required pursuant to the covenants described under the caption "*—Repurchase of Notes Upon a Change of Control;*"

(4) Cosan Overseas or any Guarantor fails to comply with any of its covenants or agreements in the notes or the indenture (other than those referred to in (1), (2) and (3) above), and such failure continues for 60 days after the notice specified below;

(5) Cosan Overseas, any Guarantor or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by Cosan Overseas, such Guarantor or such Significant Subsidiary (or the payment of which is guaranteed by Cosan Overseas, such Guarantor or such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the indenture, which default (a) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period

provided in such Debt on the date of such default (“Payment Default”) or (b) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals U.S.\$50.0 million (or the equivalent thereof at the time of determination) or more in the aggregate.

(6) one or more final judgments or decrees for the payment of money of U.S.\$50.0 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against Cosan Overseas, any Guarantor or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed by reason of pending appeal or otherwise;

(7) an involuntary case or other proceeding is commenced against Cosan Overseas, any Guarantor or any Significant Subsidiary with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, *síndico*, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or an order for relief is entered against Cosan Overseas, any Guarantor or any Significant Subsidiary under the federal bankruptcy laws as now or hereafter in effect and such order is not being contested by Cosan Overseas, such Guarantor or such Significant Subsidiary, as the case may be, in good faith or has not been dismissed, discharged or otherwise stayed, in each case within 60 days of being made;

(8) Cosan Overseas, any Guarantor or any Significant Subsidiary (i) commences a voluntary case or other proceeding seeking liquidation, reorganization, *concordata* or other relief with respect to itself or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, *síndico*, liquidator, assignee, custodian, trustee, sequestrator or similar official of Cosan Overseas, any Guarantor or any Significant Subsidiary or for all or substantially all of the property of Cosan Overseas, any Guarantor or any Significant Subsidiary or (iii) effects any general assignment for the benefit of creditors;

(9) any event occurs that under the laws of the Cayman Islands or Brazil or any political subdivision thereof or any other country has substantially the same effect as any of the events referred to in any of clause (7) or (8); or

(10) any Notes Guaranty ceases to be in full force and effect, other than in accordance with the terms of the indenture, or a Guarantor denies or disaffirms its obligations under its Notes Guaranty.

A Default under clause (4) above will not constitute an Event of Default until the trustee or the holders of at least 25% in principal amount of the notes outstanding notify Cosan Overseas and the trustee of the Default and Cosan Overseas does not cure such Default within the time specified after receipt of such notice.

The trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless either (i) a responsible officer of the trustee with direct responsibility for the indenture has actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to the trustee by Cosan Overseas, any Guarantor or any holder.

If an Event of Default (other than an Event of Default specified in clause (7), (8) or (9) above) occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the notes then outstanding may declare all unpaid principal of and accrued interest on all notes to be due and payable immediately, by a notice in writing to Cosan Overseas, and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in clause (7), (8) or (9) above occurs and is continuing, then the principal of and accrued

interest on all notes will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

The trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders will have offered to the trustee indemnity reasonably satisfactory to the trustee. Subject to such provision for the indemnification of the trustee, the holders of a majority in aggregate principal amount of the outstanding notes will have the right to 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.

Substitution of the Issuer

Cosan Overseas may, without the consent of any holder of the notes, be substituted by (a) Cosan or (b) any Wholly-Owned Subsidiary of Cosan as principal debtor in respect of the notes (in that capacity, the “Substituted Issuer”); *provided* that the following conditions are satisfied:

- (1) such documents will be executed by the Substituted Issuer, Cosan Overseas, 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 Cosan Overseas’ obligations under the indenture and the notes and, unless the Guarantors’ then existing Notes Guaranty remain in full force and effect, substitute Notes Guaranty issued by the Guarantors in respect of the notes (collectively, the “Issuer Substitution Documents”);
- (2) if the Substituted Issuer is organized in a jurisdiction other than the Cayman Islands, the Issuer Substitution Documents will contain covenants (1) to ensure that each holder of the notes has the benefit of a covenant in terms corresponding to the obligations of Cosan Overseas in respect of the payment of additional amounts (but replacing references to the Cayman Islands with references to such other jurisdiction); and (2) to indemnify each holder and beneficial owner of the notes against all taxes or duties (a) which arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution, which may be incurred or levied against such holder or beneficial owner of the notes as a result of the substitution and which would not have been so incurred or levied had the substitution not been made and (b) which are imposed on such holder or beneficial owner of the 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 which would not have been so imposed had the substitution not been made;
- (3) Cosan Overseas will deliver, or cause the delivery, to the trustee of opinions from internationally recognized counsel in the jurisdiction of organization of the Substituted Issuer and the United States as to the validity, legally binding effect and enforceability of the Issuer Substitution Documents and specified other legal matters, as well as an officers’ 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 the notes, the indenture and the Issuer Substitution Documents;
- (5) any credit rating assigned to the notes will remain the same or be improved when the Substituted Issuer replaces and substitutes Cosan Overseas in respect of the notes;
- (6) no Event of Default has occurred or is continuing; and
- (7) the substitution will comply with all applicable requirements under the laws of the jurisdiction of organization of the Substitute Issuer, the Cayman Islands and Brazil.

Upon the execution of the Issuer Substitution Documents and compliance with the other conditions in the indenture relating to the substitution, the Substituted Issuer will be deemed to be named in the notes and the indenture

as the principal debtor in place of Cosan Overseas and Cosan Overseas will be released from all of its obligations under the notes and the indenture, including, without limitation, compliance with the covenants described under “—Covenants—Limitations and Restrictions on Cosan Overseas.”

Not later than 10 business days after the execution of the Issuer Substitution Documents, the Substituted Issuer will give notice thereof to the holders of the notes in accordance with the provisions of the indenture.

Notwithstanding any other provision of the indenture, each Guarantor will (unless it is the Substituted Issuer) do or cause to be done all acts and things and promptly execute and deliver any documents or instruments, including any substitute Notes Guaranty and a legal opinion of internationally recognized Brazilian counsel, that may be required, or that the trustee may reasonably request, to ensure that such Guarantor’s Notes Guaranty is in full force and effect for the benefit of the holders and beneficial owners of the notes following the substitution.

Defeasance

Cosan Overseas may at any time terminate all of its obligations with respect to the notes (“defeasance”), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain agencies in respect of notes. Cosan Overseas may at any time terminate its obligations under certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the notes issued under the indenture (“covenant defeasance”). In order to exercise either defeasance or covenant defeasance, Cosan Overseas must irrevocably deposit in trust, for the benefit of the holders of the notes, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of, and interest on the notes to redemption or maturity and comply with certain other conditions, including the delivery of an opinion of counsel as to certain tax matters. In the case of defeasance or covenant defeasance, the Notes Guaranty will terminate.

Amendment, Supplement, Waiver

Subject to certain exceptions, the indenture may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding, and any past Default or compliance with any provision may be waived with the consent of the holders of at least a majority in principal amount of the notes then outstanding. However, without the consent of each holder of an outstanding note affected thereby, no amendment may:

- (1) reduce the rate of or extend the time for payment of interest on any note;
- (2) reduce the principal of any note;
- (3) reduce the amount payable upon redemption of any note or change the time at which any note may be redeemed;
- (4) change the currency for payment of principal of, or interest on, any note;
- (5) impair the right to institute suit for the enforcement of any payment on or with respect to any note;
- (6) waive certain payment defaults with respect to the notes;
- (7) reduce the principal amount of notes whose holders must consent to any amendment or waiver;
- (8) make any change in the amendment or waiver provisions which require each holder’s consent;
- (9) modify or change any provision of the indenture affecting the ranking of the notes or the Notes

Guaranty in a manner adverse to the holders of the notes; or

(10) make any change in the Notes Guaranty that would adversely affect the noteholders;

The holders of the notes will receive prior notice as described under “—Notices” of any proposed amendment to the notes or the indenture described in this paragraph. After an amendment described in the preceding paragraph becomes effective, Cosan Overseas is required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment.

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Cosan Overseas and the trustee may, without the consent or vote of any holder of the notes, amend or supplement the indenture or the notes for the following purposes:

- (1) cure any ambiguity, omission, defect or inconsistency;
- (2) comply with the covenant described under “—Covenants—Limitation and Restrictions on Cosan and its Subsidiaries —Limitation on Consolidation, Merger or Transfer of Assets”;
- (3) provide for a Substituted Issuer as described under “—Substitution of the Issuer”;
- (4) add to the covenants of Cosan Overseas or the Guarantors for the benefit of holders of the notes;
- (5) surrender any right conferred upon Cosan Overseas or the Guarantors;
- (6) evidence and provide for the acceptance of an appointment by a successor trustee;
- (7) provide for the issuance of additional notes;
- (8) provide for any Notes Guaranty, to secure the notes or to confirm and evidence the release, termination or discharge of any Notes Guaranty of or Lien securing the notes when such release, termination or discharge is permitted by the indenture; or
- (9) make any other change that does not materially and adversely affect the rights of any holder of the notes or to conform the indenture to this “Description of Notes.”

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If notes are issued in definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the register. For so long as the notes are admitted to trading on the EuroMTF of the Luxembourg Stock Exchange and it is required by the rules of the Luxembourg Stock Exchange, notices to the holders of the notes shall be published in English in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d’Wort*) or on the website of the Luxembourg Stock Exchange.

Trustee

The Bank of New York Mellon is the trustee under the indenture.

The indenture contains provisions for the rights, protection, immunities and indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such rights, protections, indemnities and immunities as are set forth in the indenture.

Except during the continuance of an Event of Default, the trustee needs to perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

Cosan Overseas and its Affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its Affiliates.

Governing Law and Submission to Jurisdiction

The notes, the indenture and the Notes Guaranty will be governed by the laws of the State of New York.

Each of the parties to the indenture will submit to the jurisdiction of the U.S. federal and New York State courts located in the Borough of Manhattan, City and State of New York for purposes of all legal actions and proceedings instituted in connection with the notes and the indenture. Each of Cosan Overseas and the Guarantors have appointed National Corporate Research, 10 East 40th Street, 10th Floor, New York, NY 10016, as its authorized agent upon which process may be served in any such action.

Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by Cosan Overseas or the Guarantors under or in connection with the notes and the Notes Guaranty, including damages. Any amount received or recovered in a currency other than U.S. dollars (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 Cosan Overseas or otherwise) by any holder of a note in respect of any sum expressed to be due to it from Cosan Overseas or the Guarantors will only constitute a discharge to Cosan Overseas or the Guarantors, as the case may be, 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, Cosan Overseas will indemnify such holder against any loss sustained by it as a result; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such holder, such holder will, by accepting a note, be deemed to have agreed to repay such excess. In any event, Cosan Overseas will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an 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). These indemnities constitute a separate and independent obligation from the other obligations of Cosan Overseas and the Guarantors, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a note and 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.

Prescription

Claims against the Issuer for the payment of principal, interest or Additional Amounts, if any, in respect of the notes will be prescribed unless made within six years of the due date for payment of such principal, interest or Additional Amounts.

Certain Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms as well as other capitalized terms used herein for which no definition is provided.

“Advance Transaction” means an advance from a financial institution involving either (a) a foreign exchange contract (ACC — *Adiantamento sobre Contrato de Câmbio*) or (b) an export contract (ACE — *Adiantamento sobre Contrato de Exportação*).

“Affiliate” means, with respect to any specified person, (a) any other person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified person or (b) any other person who is a director or officer (i) of such specified person, (ii) of any subsidiary of such specified person or (iii) of any person described in clause (a) above. For purposes of this definition, control of a person means the power, direct or indirect, to direct or cause the direction of the management and policies of such person whether by contract or otherwise and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Brazil” means the Federative Republic of Brazil.

“Capital Lease Obligations” means, with respect to any person, any obligation which is required to be classified and accounted for as a capital lease on the face of a balance sheet of such person prepared in accordance with GAAP; the amount of such obligation will be the capitalized amount thereof, determined in accordance with GAAP; and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

“Capital Stock” means, with respect to any person, any and all shares of stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting), such person’s equity including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

“Cash Equivalents” means

- (1) Brazilian *reais*, U.S. dollars, or money in other currencies received in the ordinary course of business that are readily convertible into U.S. dollars;
- (2) any evidence of Debt with a maturity of 180 days or less issued or directly and fully guaranteed or insured by Brazil or the United States of America or any agency or instrumentality thereof, provided that the full faith and credit of Brazil or the United States of America is pledged in support thereof;
- (3) (i) demand deposits, (ii) time deposits and certificates of deposit with maturities of one year or less from the date of acquisition, (iii) bankers’ acceptances with maturities not exceeding one year from the date of acquisition, and (iv) overnight bank deposits, in each case with any bank or trust company organized or licensed under the laws of Brazil or any political subdivision thereof or the United States or any state thereof having capital, surplus and undivided profits in excess of U.S.\$500.0 million whose short-term debt is rated “A-2” or higher by S&P or “P-2” or higher by Moody’s;
- (4) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clauses (2) and (4) above entered into with any financial institution meeting the qualifications specified in clause (4) above;
- (5) commercial paper rated at least P-1 by Moody’s or A-1 by S&P and maturing within six months after the date of acquisition; and
- (6) money market funds at least 95% of the assets of which consist of investments of the type described in clauses (1) through (6) above.

“Change of Control” means:

(1) the merger or consolidation of Cosan with or into another Person or the merger of another Person with or into Cosan or the merger of any Person with or into a Subsidiary of Cosan, if Capital Stock of Cosan is issued in connection therewith, or the sale of all or substantially all the assets of Cosan to another Person (in each case, unless such other Person is a Permitted Holder) unless holders of a majority of the aggregate voting power of the Voting Stock of Cosan, immediately prior to such transaction, hold securities of the surviving or transferee Person that represent, immediately after such transaction, at least a majority of the aggregate voting power of the Voting Stock of the surviving Person; or

(2) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, other than Permitted Holders) is or becomes the “beneficial owner” (as such term is used in Rules 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of Cosan; or

(3) occupation of a majority of the seats (other than vacant seats) on the Board of Directors of the Company by persons who were neither (i) nominated by the Permitted Holders or the Board of Directors of the Company nor (ii) appointed by directors so nominated.

For the avoidance of doubt, the consummation of the Joint Venture will not be deemed a Change of Control. Notwithstanding the foregoing, a Change of Control will not be deemed to occur from any Option Exercise if within 360 days after the receipt of any Net Cash Proceeds from such Option Exercise, the Net Cash Proceeds are used to make Permitted Reinvestment.

“CVM” means the Brazilian Securities Commission, or *Comissão de Valores Mobiliários*.

“Debt” means, with respect to any person, without duplication:

(1) the principal of and premium, if any, in respect of (a) indebtedness of such person for money borrowed and (b) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such person is responsible or liable;

(2) all Capital Lease Obligations of such person;

(3) all obligations of such person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such person and all obligations of such person under any title retention agreement (but excluding trade accounts payable or other short-term obligations to suppliers payable within 180 days, in each case arising in the ordinary course of business);

(4) all obligations of such person for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (1) through (3) above) entered into in the ordinary course of business of such person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following receipt by such person of a demand for reimbursement following payment on the letter of credit);

(5) all Hedging Obligations;

(6) all obligations of the type referred to in clauses (1) through (4) of other persons and all dividends of other persons for the payment of which, in either case, such person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any guarantee (other than obligations of other persons that are customers or suppliers of such person for which such person is or becomes so responsible or liable in the ordinary course of business to (but only to) the extent that such person does not, or is not required to, make payment in respect thereof);

(7) all obligations of the type referred to in clauses (1) through (5) of other persons secured by any Lien on any property or asset of such person (whether or not such obligation is assumed by such person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; and

(8) any other obligations of such person which are required to be, or are in such person's financial statements, recorded or treated as debt under GAAP.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"GAAP" means (i) International Financial Reporting Standards, (ii) accounting practices generally accepted in the United States or (iii) accounting practices prescribed by Brazilian Corporation Law, the rules and regulations issued by the CVM and the accounting standards issued by the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil*), in each case as in effect from time to time.

"guarantee" means any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Debt or other obligation of any person and any obligation, direct or indirect, contingent or otherwise, of such person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Guarantor" means (i) Cosan, (ii) upon consummation of the Joint Venture, CCL, (iii) any other entity that provides a Notes Guaranty, and (iv) any successor obligor under the Notes Guaranty pursuant to the covenant described under the caption "—Covenants— Limitation and Restrictions on Cosan and its Subsidiaries—Consolidation, Merger or Sale of Assets," unless and until such Guarantor is released from its Notes Guaranty pursuant to the indenture.

"Hedging Agreements" means (a) any interest rate swap agreement, interest rate cap agreement or other agreement designed to protect against fluctuations in interest rates or (b) any foreign exchange forward contract, currency swap agreement or other agreement designed to protect against fluctuations in foreign exchange rates or (iii) any commodity or raw material futures contract or any other agreement designed to protect against fluctuations in raw material prices.

"Hedging Obligations" means, with respect to any person, the obligations of such person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such person against changes in interest rates or foreign exchange rates.

"holder" means the person in whose name a note is registered in the register.

"Joint Venture" means (i), pursuant to the agreements dated as of August 25, 2010 as described in this offering memorandum, the joint venture between Cosan and Shell International Petroleum Company Limited ("Shell") and their respective subsidiaries whereby (a) Cosan has contributed its sugar and ethanol businesses, energy co-generation business, fuel distribution and retail businesses and its interest in certain ethanol logistics facilities and (b) Shell has contributed its Brazilian fuel distribution and retail businesses and its interest in certain companies involved in, among other things, the research and development of enzymes and the conversion of biomass into ethanol, and will additionally make, a cash contribution, or (ii) any similar or related transaction.

"Lien" means any mortgage, pledge, security interest, conditional sale or other title retention agreement or other similar lien.

“Marketable Securities” means publicly traded debt or equity securities that are listed for trading on a national securities exchange and that were issued by a corporation with debt securities rated at least “AA-” from S&P or “Aa3” from Moody’s, or the equivalent local rating in Brazil.

“Net Cash Proceeds” means, with respect to any Option Exercise, the proceeds from such Option Exercise in the form of cash or Cash Equivalents (including (i) payments in respect of deferred payment obligations to the extent corresponding to, principal, but not interest, when received in the form of cash, and (ii) proceeds from the conversion of other consideration received when converted to cash), net of:

(1) fees and expenses related to such Option Exercise, including fees and expenses of counsel, accountants and investment bankers;

(2) provisions for taxes as a result of such Option Exercise taking into account the consolidated results of operations of Cosan and its Subsidiaries;

(3) payments required to be made to repay Debt (other than revolving credit borrowings) outstanding at the time of such Option Exercise that is secured by a Lien on the property or assets sold or conveyed; and

(4) appropriate amounts to be provided as a reserve against liabilities associated with such Option Exercise, including pension and other post-employment benefit liabilities, liabilities related to environmental matters and indemnification obligations associated with such Option Exercise, with any subsequent reduction of the reserve other than by payments made and charged against the reserved amount to be deemed a receipt of cash.

“Notes Guaranty” means the guarantee by the Guarantors of the obligations of Cosan Overseas under the notes and the indenture.

“Permitted Business” means any of the businesses in which Cosan and its Subsidiaries (including the Sugar and Ethanol Co. and the Downstream Co.) are engaged on the date of the Option Exercise, and any business reasonably related, incidental, complementary or ancillary thereto.

“Permitted Holders” means any or all of the following:

(1) an immediate family member of Mr. Rubens Ometto Silveira Mello or any Affiliate or immediate family member thereof; and

(2) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by Persons specified in clause (1).

“Productive Assets” means assets (including capital stock or its substantial equivalent or other investments) that are used or usable by Cosan and its Subsidiaries (including the Sugar and Ethanol Co. and the Downstream Co.) in Permitted Businesses (or in the case of capital stock or its substantial equivalent or other investments that represent direct, or indirect (via a holding company), ownership or other interests held by Cosan or any Subsidiary (including the Sugar and Ethanol Co. and the Downstream Co.) in entities engaged in Permitted Businesses).

“Rating Agency” means S&P, Moody’s or Fitch; or if S&P, Moody’s or Fitch are not making rating of the notes publicly available, an internationally recognized U.S. rating agency or agencies, as the case may be, selected by us, which will be substituted for S&P, Moody’s and/or Fitch, as the case may be.

“Rating Decline” means that at any time within 90 days (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible down grade by either Rating Agency) after the date of public notice of a Change of Control or Option Exercise, as applicable, or of our intention or that of any person to effect a Change of Control or Option Exercise, as applicable, the then-applicable rating of the notes is decreased by either Rating Agency by one or more categories (i.e., notches); *provided* that any such Rating Decline is in whole or in part in connection with a Change in Control or Option Exercise, as applicable.

“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.

“Significant Subsidiary” means any Subsidiary of Cosan which at the time of determination either (a) had assets which, as of the date of Cosan’s most recent quarterly consolidated balance sheet, constituted at least 10% of Cosan’s total assets on a consolidated basis as of such date, or (b) had revenues for the 12-month period ending on the date of Cosan’s most recent quarterly consolidated statement of income which constituted at least 10% of Cosan’s total revenues on a consolidated basis for such period; *provided, however*, that (i) the Sugar and Ethanol Co. and (ii) the Downstream Co. shall constitute a Significant Subsidiary so long as Cosan beneficially owns, directly or indirectly, at least 49.0% of the shares of Capital Stock of such entity.

“Stated Maturity” means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

“Subordinated Debt” means any Debt of Cosan which is subordinated in right of payment to the notes or the Notes Guaranty, as applicable, pursuant to a written agreement to that effect.

“Subsidiary” means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) Cosan, (b) Cosan and one or more Subsidiaries or (c) one or more Subsidiaries; provided, however, that, for purposes of the covenant described under “—Limitation and Restrictions on Cosan and its Subsidiaries—Limitation on Liens,” any Subsidiary contemplated by the Joint Venture, including the Sugar and Ethanol Co., the Downstream Co. and the Management Co. (as defined in this offering memorandum) and each of their respective subsidiaries shall not be deemed to be a Subsidiary, so long as Cosan does not own more than 60% of the voting power of shares of Capital Stock with respect to such entity.

“Total Consolidated Assets” means the total amount of consolidated assets of Cosan and its Subsidiaries (including Cosan’s proportionate equity interest in the Sugar and Ethanol Co. and the Downstream Co. and their respective subsidiaries) prepared in accordance with GAAP.

“Voting Stock” means, with respect to any person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly-Owned Subsidiary” means a Subsidiary of which at least 95% of the Capital Stock (other than directors’ qualifying shares) is owned by Cosan or another Wholly-Owned Subsidiary.

FORM OF NOTES

Notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global note in fully registered form without interest coupons and will be registered in the name of a nominee of Euroclear or Clearstream and deposited with a common depository for Euroclear or Clearstream (the “Global Note”).

The notes will be subject to certain restrictions on transfer as described in “Transfer Restrictions.”

Except in the limited circumstances described under “—Global Note,” owners of the beneficial interests in a Global Note will not be entitled to receive physical delivery of individual definitive notes. The notes are not issuable in bearer form.

Global Note

Upon the issuance of the Global Note, Euroclear or Clearstream will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such Global Notes to the accounts of persons who have accounts with Euroclear or Clearstream. Ownership of beneficial interests in the Global Note will be limited to persons who have accounts with Euroclear or Clearstream (“Clearing System Participants”) or persons who hold interests through Clearing System Participants. Ownership of beneficial interests in the Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear or Clearstream or its nominee (with respect to interests of Clearing System Participants) and the records of Clearing System Participants (with respect to interests of persons other than Clearing System Participants).

So long as Euroclear or Clearstream, or its nominee, is the registered owner or holder of a Global Note, Euroclear or Clearstream or the common depository, as the case may be, will be considered the sole owner or holder of the notes represented by such Global Note for all purposes under the indenture and the notes. Unless Euroclear or Clearstream notifies us that it is unwilling or unable to continue as depository for a Global Note, or ceases to be a “clearing agency” registered under the Exchange Act, or if at any time it is no longer eligible to act as such, and we are unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of Euroclear or Clearstream or the trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the noteholders under the notes and the trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the trustee to obtain possession of the notes, owners of beneficial interests in a Global Note will not be entitled to have any portions of such Global Note registered in their names, will not receive or be entitled to receive physical delivery of notes in individual definitive form and will not be considered the owners or holders of the Global Note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with Euroclear or Clearstream’s applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear and Clearstream).

Payments of the principal of and interest on the Global Note will be made to Euroclear or Clearstream or its nominee as the registered owner thereof. None of us, the trustee, or any initial purchaser will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We anticipate that Euroclear or Clearstream or the common depository, upon receipt of any payment of principal or interest in respect of a Global Note representing any notes held by the common depository, will immediately credit Clearing System Participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Note as shown on the records of Euroclear or Clearstream or the common depository. We also expect that payments by Clearing System Participants to owners of beneficial interests in the Global Note held through such Clearing System Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such Clearing System Participants.

Transfers between Clearing System Participants will be effected in accordance with Euroclear or Clearstream’s procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take

physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a Global Note to such persons may be limited. Because Euroclear or Clearstream can only act on behalf of Clearing System Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical individual definitive certificate in respect of such interest. Transfers between accountholders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a holder of notes only at the direction of one or more Clearing System Participants to whose account or accounts with Euroclear or Clearstream interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such Clearing System Participant(s) has or have given such direction. However, in the limited circumstances described below, Euroclear or Clearstream will exchange the Global Note for individual definitive notes (in the case of notes represented by the Restricted Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through Clearing System Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by Euroclear or Clearstream to Clearing System Participants, by Clearing System Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a Global Note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

None of us, any initial purchaser or the trustee will have any responsibility for the performance of Euroclear or Clearstream or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Individual Definitive Notes

If (1) Euroclear or Clearstream or any successor to Euroclear or Clearstream is at any time unwilling or unable to continue as a depository and a successor depository is not appointed by us within 90 days or (2) the trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the noteholders under the notes and the trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the trustee to obtain possession of the notes, we will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from Euroclear or Clearstream or the paying agent, as the case may be, we will use its best efforts to make arrangements with Euroclear or Clearstream for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar with written instruction and other information required by us and the registrar to complete, execute and deliver such individual definitive notes. Individual definitive notes delivered in exchange for the Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by Euroclear or Clearstream.

Before any individual definitive note may be transferred to a person who takes delivery in the form of an interest in any Global Note, the transferor will be required to provide the trustee with a Global Note Certification.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

TAXATION

The following discussion summarizes certain Cayman Islands, Brazilian and European Union tax considerations that may be relevant to you if you invest in the notes. This summary is based on laws and regulations now in effect in the Cayman Islands and Brazil and a directive of the European Union, in each case which may change. Any change could apply retroactively and could affect the continued validity of this summary.

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 tax advisors about the tax consequences of holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Cayman Islands Tax Considerations

The following is a general summary of Cayman Islands taxation in relation to the notes.

UNDER EXISTING CAYMAN ISLANDS LAWS:

- (i) Payments of interest and principal on the notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the notes nor will gains derived from the disposal of the notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.
- (ii) No stamp duty is payable in respect of the issue of the notes. An instrument of transfer in respect of a note is stampable if executed in or brought into the Cayman Islands. Cosan Overseas has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and expects to obtain an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

**“The Tax Concessions Law
1999 Revision
Undertaking as to Tax Concessions”**

In accordance with the provision of Section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with:

Cosan Overseas “the Company”

- (a) that no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of 20 years from the date of issue of the certificate.

Brazilian Taxation

The following discussion is a general description of certain Brazilian tax aspects of the notes applicable to an individual, entity, trust or organization that is not resident or domiciled in Brazil for purposes of Brazilian taxation (“Non-Resident Holder”) and does not purport to be a comprehensive description of the tax aspects of the notes. The

earnings of foreign companies and persons not resident in Brazil are taxed in Brazil when derived from Brazilian sources or when the transaction giving rise to such earnings involves assets in Brazil.

Investors should note that, as to the discussion below, another income tax rate or treatment may be provided for in any applicable tax treaty between Brazil and the country where the Non-Resident Holder is domiciled.

Payments on the Notes Made by the Issuer

Generally, a Non-Resident Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil.

Therefore, as the Issuer will be considered, for tax purposes, as domiciled abroad, any income (including interest and original issue discount, if any) paid by it in respect of the notes issued in favor of Non-Resident Holders is not 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 on the Notes

Capital gains generated outside Brazil as a result of a transaction between two non-residents of Brazil with assets located in Brazil are subject to income tax in Brazil, according to Article 26 of Law No. 10,833, enacted on December 29, 2003. Based on the fact that the notes are issued and registered abroad and, thus, should not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains on the sale or the disposition of the notes made outside Brazil by one Non-Resident Holder to another are not subject to Brazilian taxes. Notwithstanding, considering the general and unclear scope of this legislation and the absence of judicial guidance in respect thereof, we cannot assure prospective investors that such interpretation of this law will prevail in the courts of Brazil. 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 such Non-Resident Holder is located in a tax haven jurisdiction (i.e., a country that does not impose any income tax or imposes it at a maximum rate lower than 20% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership).

On June 23, 2008, Law No. 11,727 (“Law No. 11,727”) introduced a broader concept of tax haven jurisdiction in connection with transactions subject to Brazilian transfer pricing rules, and also applicable to thin capitalization rules/cross border interest deductibility rules, with the creation of the preferential or privileged tax regime concept (which came into effect on January 1, 2009).

In addition, on June 7, 2010, the Brazilian tax authorities enacted Ordinance No. 1,037, as amended, listing (1) the countries and jurisdictions considered to be tax haven jurisdictions, and separately (2) the countries and jurisdictions considered to be privileged tax regimes. Nevertheless, it is still not clear whether this “privileged tax regime” concept will also be applied to interest and payments made to Non-Resident Holders in respect of the notes.

Therefore, if it were concluded that Brazilian income tax is due on payments in respect of the notes, payments made to holders deemed to benefit from a privileged tax regime could also be subject to the Brazilian withholding income tax at a rate of up to 25%. Potential investors should consult with their own tax advisors regarding the consequences of the implementation of Law No. 11,727, Ordinance No. 1,037 and any relevant Brazilian tax law or regulation concerning tax haven jurisdiction and privileged tax regimes.

Payments on the Notes Made by Cosan or CCL as Guarantors

If Cosan or CCL – as guarantors – are required to make any payment under the notes (including the principal amount of or interest on the notes) to a Non-Resident Holder, the Brazilian tax authorities could try to impose withholding income tax at a rate of up to 25% (depending on the nature of the payment and the domicile of the Non-Resident Holder).

In addition to withholding income tax, Brazilian law imposes a Tax on Foreign Exchange Transactions (Imposto sobre Operações de Crédito, Câmbio e Seguro, ou relativas a Títulos e Valores Mobiliários), or IOF/ Exchange tax, due on the conversion of *reais* into foreign currency and on the conversion of foreign currency into *reais*. Currently, the IOF/Exchange tax rate for almost all foreign currency exchange transactions, including foreign exchange

transactions in connection with payments under the guarantees by Cosan to Non-Resident Holders, is 0.38%. The Brazilian government is permitted to increase this rate at any time up to 25%. Any such increase in rates may only apply to future foreign exchange transactions and not retroactively.

Stamp, Transfer or Similar Taxes

Generally, there are no stamp, transfer or other similar taxes in Brazil applicable 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 in some states of Brazil on gifts and bequests by the Non-Resident Holder to individuals or entities domiciled or residing within such Brazilian states.

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.

European Union Savings Directive (Directive 2003/48/EC)

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On September 15, 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On November 13, 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

PLAN OF DISTRIBUTION

Morgan Stanley & Co. International plc, Credit Suisse Securities (Europe) Limited and J.P. Morgan Securities Ltd. will act as the joint book runners and the joint lead managers for the offering. Under the terms and subject to the conditions stated in the purchase agreement dated the date of this offering memorandum, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to that initial purchaser, the principal amount of the notes set forth opposite the initial purchaser's name.

| <u>Initial Purchasers</u> | <u>Principal Amount</u> |
|--|-------------------------|
| Morgan Stanley & Co. International plc | U.S.\$ 100,000,000 |
| Credit Suisse Securities (Europe) Limited..... | 100,000,000 |
| J.P. Morgan Securities Ltd..... | 100,000,000 |
| Total..... | U.S.\$ 300,000,000 |

In the purchase agreement, subject to the conditions thereof, the initial purchasers have agreed to purchase the notes at a discount and to resell the notes to purchasers as described under "Transfer Restrictions." The notes will initially be offered at the price indicated on the cover page of this offering memorandum. After the initial offering of the notes, the offering price and other selling terms may from time to time be varied by the initial purchasers. The purchase agreement provides that the obligations of the initial purchasers to pay for and accept delivery of the notes is subject to, among other conditions, the delivery of certain legal opinions of its counsel. The initial purchasers are committed to take and pay for all of the notes offered hereby, if any are taken, subject to the conditions set forth in the purchase agreement.

The purchase agreement provides that we will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the initial purchasers may be required to make in respect thereof.

The notes will constitute a new class of securities with no established trading market. We do not intend to apply for the notes to be admitted to trading on any exchange other than the Euro MTF Market of the Luxembourg Stock Exchange. The initial purchasers have advised us that they presently intend to make a market in the notes as permitted by applicable laws and regulations. The initial purchasers are not obligated, however, to make a market and any such market making may be discontinued at any time at the discretion of the initial purchasers. Accordingly, we cannot assure investors 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 their 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 purchaser repurchases 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.

We have been advised that the initial purchasers propose to resell the notes outside the United States in off-shore transactions to certain persons in reliance on Regulation S under the Securities Act.

The notes (and the guarantee) have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. For a description of certain restrictions on resale or transfer, see "Transfer Restrictions."

Cosan Overseas has agreed in the purchase agreement that from the date of this offering memorandum to the issue date of the notes, 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 issued or guaranteed by Cosan Overseas or any guarantor.

The initial purchasers have agreed that they will not offer, sell or deliver the notes to, or for the account of, U.S. persons (1) as part of their distribution at any time or (2) otherwise until 40 days after the later of the commencement of the offering and the closing date, and they will send to each dealer to whom they sell such 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. Resales of the notes are restricted as described below under “Transfer Restrictions.”

The initial purchasers and/or their affiliates may enter into derivative and/or structured transactions with clients, at their request, in connection with the notes and the initial purchasers and/or their affiliates may also purchase a portion of the notes to hedge their risk exposure in connection with such transactions. In addition, the initial purchasers and/or their affiliates may acquire a portion of the notes for their proprietary accounts. These transactions may have an adverse effect on the demand and pricing for the offering.

The initial purchasers or their affiliates may have in the past and from time to time hereafter provide investment banking and general financing and banking services to us and certain of our affiliates, for which they have received, or will receive, customary compensation. In addition, J.P. Morgan Securities LLC has acted as a financial adviser to Shell in connection with the Joint Venture.

We have agreed to indemnify the initial purchasers against certain liabilities or to contribute to payments which it may be required to make in that respect.

It is expected that delivery of the notes will be made to purchasers against payment therefore on or about November 5, 2010, which will be the fifth business day following the date of pricing of the notes (such settlement cycle referred to as “T+5”). Purchasers of the notes should note that trading of the notes on the date of pricing and the next succeeding five business days may be affected by the T+5 settlement.

Selling Restrictions

No action has been taken in any jurisdiction by us or the initial purchasers that would permit a public offering of the notes offered hereby in any jurisdiction where action for that purpose is required. The notes offered hereby may not be offered or sold, directly or indirectly, nor may this offering memorandum or any other offering material or advertisements in connection with the offer and sale of the notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the notes and the distribution of this offering memorandum. This offering memorandum does not constitute an offer to purchase or a solicitation of an offer to sell any of the notes offered hereby in any jurisdiction in which such an offer or a solicitation is unlawful.

European Economic Area (EEA)

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that relevant Member State (the “relevant implementation date”), an offer of notes described in this offering memorandum may not be made to the public in that relevant Member State prior to the publication of a prospectus in relation to the notes that has been approved by the competent authority in that relevant Member State or, where appropriate, approved in another relevant Member State and notified to the competent authority in that relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant Member State at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

- by the joint bookrunners to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the joint bookrunners for any such offer; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of notes described in this offering memorandum located within a relevant Member State will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression an “offer to the public” in any relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant Member State.

We have not authorized and do not authorize the making of any offer of notes through any financial intermediary on our behalf, other than offers made by the initial purchasers with a view to the final placement of the notes as contemplated in this offering memorandum. Accordingly, no purchaser of the notes is authorized to make any further offer of the notes on our behalf or of the initial purchasers.

United Kingdom

Each initial purchaser has represented and agreed that:

(a) 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 Financial Services and Markets Act, or FSMA) received by it 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 Issuer or the guarantors; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Brazil

The notes have not been and will not be issued nor 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. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without prior registration under Law No. 6,385/76, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. The notes will not be offered or sold in Brazil except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Luxembourg

The notes which are the subject of the offering contemplated by this offering memorandum will not be offered to the public in the Grand Duchy of Luxembourg, except that notes may be offered:

- in the cases described under the European Economic Area selling restrictions in which an initial purchaser can make an offer of notes to the public in an EEA Member State (including Luxembourg);

- to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations;
- to legal entities which are authorized or regulated to operate in the financial markets including credit institutions, investment companies, other authorized or regulated financial institutions, insurance companies, undertakings for collective investment and their management companies, pension and investment funds and their management companies, commodity dealers;
- to certain natural persons or small- and medium-sized companies (as defined in the Directive 2003/71/EC) recorded in the register of natural persons or small- and medium-sized companies considered as qualified investors and held by the Commission de Surveillance du Secteur Financier (CSSF) as competent authority in Luxembourg in accordance with the Directive 2003/71/EC; and/or
- in any other circumstances for which the Luxembourg Act of 10th July, 2005 on prospectuses for securities does not require a public offering prospectus to be established.

Switzerland

The notes may not and will not be publicly offered, distributed or re-distributed in or from Switzerland and neither this offering memorandum nor any other solicitation for investments in the notes may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations. This offering memorandum may not be copied, reproduced, distributed or passed on to others without the prior written consent of the initial purchasers. This offering memorandum is not a prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations or a listing prospectus according to the Listing Rules of the SIX Swiss Exchange and may not comply with the information standards required thereunder. We will not apply for a listing of the notes on any Swiss stock exchange or other Swiss regulated market and this offering memorandum may not comply with the information required under the relevant listing rules.

Japan

The notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and the notes may not be offered or sold, 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 other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to a resident of Japan except in compliance with the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

The notes may not be offered or sold by means of any document other than (1) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (2) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (3) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the 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” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

The offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore, or the SFA, and accordingly, the notes may not be offered or be the subject of an invitation for subscription or purchase, nor will this offering memorandum or any

other document or material in connection with the offer or sale, or invitation for subscription or purchase of the notes, whether directly or indirectly, be circulated or distributed to any person in Singapore other than under exemptions provided in the SFA for offers made (1) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (2) to a relevant person (as defined in Section 275(2) of the SFA) or any person, pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Each holder of the notes should note that any subsequent sale of the notes acquired pursuant to an offer in this offering memorandum made under exemptions (1) or (2) above within a period of six months from the date of initial acquisition is restricted to (1) institutional investors (as defined in Section 4A of the SFA), (2) relevant persons as defined in Section 275(2) of the SFA, and (3) persons pursuant to an offer referred to in Section 275(1A) of the SFA.

Where the notes are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

- 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
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer or (3) where the transfer is by operation of law.

Germany

The notes offered by this offering memorandum have not been and will not be offered to the public within the meaning of the German Sales Prospectus Act (*Verkaufsprospektgesetz*) or the German Investment Act (*Investmentgesetz*). The notes have not been and will not be listed on a German exchange. No sales prospectus pursuant to the German Sales Prospectus Act has been or will be published or circulated in Germany or filed with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or any other governmental or regulatory authority in Germany. This offering memorandum does not constitute an offer to the public in Germany and it does not serve for public distribution of the notes in Germany. Neither this offering memorandum, nor any other document issued in connection with this offering, may be issued or distributed to any person in Germany except under circumstances which do not constitute an offer to the public within the meaning of the German Sales Prospectus Act or the German Investment Act.

France

The notes are being issued and sold outside the Republic of France and that, in connection with their initial distribution, are not being offered or sold and will not be offered or sold, directly or indirectly, to the public in the Republic of France. This offering memorandum and/or any other offering material relating to the notes may not be distributed to the public in the Republic of France. Any offers, sales or distributions in the Republic of France will be made only to qualified investors (*investisseurs qualifiés*) in accordance with Article L.411-2 of the Monetary and Financial Code and décret no. 98-880 dated 1st October, 1998.

Netherlands

The notes may not be offered, sold, transferred or delivered in or from The Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, other than to, individuals or legal entities situated in The

Netherlands who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institution, central governments, large international and supranational organizations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter, “Professional Investors”), provided that in the offer, prospectus and in any other documents or advertisements in which a forthcoming offering of the notes is publicly announced (whether electronically or otherwise) in The Netherlands it is stated that such offer is and will be exclusively made to such Professional Investors. Individual or legal entities who are not Professional Investors may not participate in the offering of the notes, and this offering memorandum or any other offering material relating to the notes may not be considered an offer or the prospect of an offer to sell or exchange the notes.

Portugal

The notes may not be offered or sold in Portugal except in accordance with the requirements of the Portuguese Securities Code (*Código de Valores Mobiliários* as approved by the Decree-Law No. 486/99 of November 13, 1999) and the regulations governing the offer of securities issued pursuant thereto. Neither a public offer for subscription of the notes nor a public offer for the sale of the notes shall be promoted in Portugal.

TRANSFER RESTRICTIONS

The notes (and the guarantee) have not been registered under the Securities Act 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. Accordingly, the notes are being offered and sold only outside the United States to persons other than U.S. persons, or foreign purchasers, which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust), in reliance upon Regulation S under the Securities Act.

By its purchase of notes, each purchaser of notes will be deemed to:

- (1) represent that it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above);
- (2) acknowledge that the notes (and the guarantee) have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) agree that it will deliver to each person to whom it transfers notes notice of any restriction on transfer of such notes;
- (4) if it is a foreign purchaser outside the United States, (a) understand that the notes will be represented by the Regulation S global note and that transfers are restricted as described under “Description of Notes—Transfer of Notes” and (b) represent and agree that it will not sell short or otherwise sell, transfer or dispose of the economic risk of the notes into the United States or to a U.S. person; and
- (5) understand that until registered under the Securities Act, the notes (other than those issued to foreign purchasers or in substitution or exchange therefor) will bear a legend to the following effect unless otherwise agreed by us and the holder thereof:

THIS NOTE (AND RELATED NOTES GUARANTY) HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER

- (1) REPRESENTS THAT IT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND
- (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY
 - (A) TO THE COMPANY,
 - (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT,
 - (C) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR
 - (D) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH ABOVE, THE ISSUER RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY RULE 144 EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT; and

- (6) acknowledge that the we and the initial purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agree that if any of the acknowledgements, representations or warranties deemed to have been made by it by its purchase of notes are no longer accurate, it shall promptly notify us and the initial purchasers; if they are acquiring notes as a fiduciary or agent for one or more investor accounts, they represent that they have sole investment discretion with respect to each such account and they have full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Notes sold outside of the United States to persons other than U.S. persons, will be freely transferable to persons other than U.S. persons. Accordingly, in compliance with chapter VI, article 3, section (A)(II)(2) of the Rules and Regulations of the Luxembourg Stock Exchange, no transaction made on the Luxembourg Stock Exchange involving a non-U.S. purchaser shall be cancelled, and the notes shall be freely transferable to such purchasers.

LISTING AND GENERAL INFORMATION

1. The creation and issuance of the notes was authorized by the Issuer's Board of Directors on October 29, 2010.
2. The notes have been accepted for clearance through the facilities of Euroclear and Clearstream under common code 055637334. The ISIN for the notes sold pursuant to Regulation S is XS0556373347.
3. Copies of our latest audited consolidated and unconsolidated annual financial statements and unaudited consolidated and unconsolidated quarterly financial statements, if any, may be obtained at the offices of the paying agents, including the Luxembourg paying agent (at the cost of the Issuer) and copies of our by-laws and the by-laws of the Issuer and guarantors, as well as the indenture (including forms of notes), will be available (at the cost of the Issuer) for inspection at the offices of the paying agents, including the Luxembourg paying agent.
4. Except as disclosed in this offering memorandum, there has been (1) no material adverse change in Cosan's and Issuer's prospects and (2) no significant change in Cosan's and Issuer's financial or trading position since June 30, 2010, the date of the latest financial statements included in this offering memorandum.
5. Except as disclosed in this offering memorandum, there are no governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened of which we are aware, which may have, or have had during the 12 months prior to the date of this offering memorandum, a significant effect on the financial position or profitability of Cosan or the Issuer.
6. Ernst & Young Terco has agreed to the inclusion of their reports in this offering memorandum in the form and context in which they are included.
7. We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and for the notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.
8. As long as the notes are listed on the Official List of the Luxembourg Stock Exchange, we shall appoint and maintain a paying agent in Luxembourg, where the notes may be presented or surrendered for payment or redemption, in the event that the global notes are exchanged for definitive certificated notes. In addition, in the event that the global notes are exchanged for definitive certificated notes, announcement of such exchange shall be made through the Official List of the Luxembourg Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive certificated notes, including details of the paying agent in Luxembourg.
9. For as long as the notes are listed on the Luxembourg Stock Exchange and the rules of that exchange require, copies of the following documents may be inspected and obtained at the specified office of the Luxembourg Listing Agent during normal business hours on any weekday: (1) the organizational documents of the Issuer and (2) the indenture.
10. Cosan's fiscal year ends March 31. Financial statements of Cosan will be made available, upon request, free of charge at the office of our Luxembourg Paying Agent.
11. Cosan and the Issuer have not issued any convertible debt securities, exchangeable debt securities or debt securities with warrants attached as of the date of this offering memorandum.

WHERE YOU CAN FIND MORE INFORMATION

Our parent company, Cosan Limited, is subject to the informational requirements of the U.S. Securities Exchange Act of 1934, which is also known as the Exchange Act. Accordingly, Cosan Limited is required to file reports and other information with the Securities and Exchange Commission, or Commission, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other information to be filed with the Commission at the public reference facilities maintained by the Commission at 100 F Street, N.E., Washington D.C. 20549 and at the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago Illinois 60661, and 233 Broadway, New York, New York 10279. Copies of the materials may be obtained from the Public Reference Room of the Commission at 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the Commission's Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330. In addition, the Commission maintains an internet website at <http://www.sec.gov>, from which you can electronically access the registration statement and its materials.

As a foreign private issuer, Cosan Limited is not subject to the same disclosure requirements as a domestic U.S. registrant under the Exchange Act. For example, Cosan Limited is not required to prepare and issue quarterly reports. However, Cosan Limited furnishes its shareholders with annual reports containing financial statements audited by its independent auditors and makes available to its shareholders quarterly reports containing unaudited financial data for the first three quarters of each fiscal year. Cosan Limited files its quarterly reports on Form 6-K and its annual reports on Form 20-F within the time period required by the Commission, which is currently six months from March 31, the end of its fiscal year.

INCORPORATION BY REFERENCE

We have included portions applicable to us of the annual report on Form 20-F of our parent Cosan Limited for the fiscal year ended March 31, 2010, excluding financial statements and exhibits, as Annex I to this offering memorandum. Exhibits are available on the SEC website, <http://www.sec.gov>. We may incorporate by reference any Form 6-K that we submit to the SEC after the date of this offering memorandum and prior to the termination of this offering by identifying in such Form 6-K that it is being incorporated by reference into this offering memorandum.

As you read the documents, you may find inconsistencies in information from one document to another. If you find inconsistencies, you should rely on the statements made in this offering memorandum. All information appearing in this offering memorandum is qualified in its entirety by the information, including the notes thereto, contained in the documents we have incorporated by reference.

You may obtain a copy of these filings at no cost by writing to or calling:

Investor Relations Department
Av. Juscelino Kubitschek, 1726 – 6th floor
São Paulo, SP 04543-000, Brazil
(55)(11) 3897-9797

VALIDITY OF NOTES

The validity of the notes offered and sold in this offering, together with the guarantee, will be passed upon for us and the guarantor by Davis Polk & Wardwell LLP, and for the initial purchasers by White & Case LLP. Certain matters of Brazilian law relating to the notes and the guarantee will be passed upon for us and the guarantor by Lefosse Advogados. Pinheiro Guimarães Advogados will pass upon certain matters of Brazilian law relating to the notes and the guarantee for the initial purchasers. Maples and Calder will pass upon certain matters of Cayman Islands law relating to the notes and the guarantee for us and the guarantor.

INDEPENDENT PUBLIC ACCOUNTANTS

Our consolidated financial statements as of and for the fiscal year ended March 31, 2010, the eleven-month period ended March 31, 2009 and the fiscal year ended April 30, 2008, prepared in accordance with U.S. GAAP, have been audited by Ernst & Young Terco Auditores Independentes S.S., independent registered public accounting firm, under generally accepted auditing standards in the United States as stated in their reports included elsewhere in this offering memorandum.

Our consolidated financial statements as of and for the three-month periods ended June 30, 2010 and 2009, prepared in accordance with U.S. GAAP, have been subjected to limited review by Ernst & Young Terco Auditores Independentes S.S., independent registered public accounting firm, under specific auditing standards in the United States for the review of interim financial information as stated in their reports included elsewhere in this offering memorandum.

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ANNEX I

This Annex I includes portions applicable to us of the annual report on Form 20-F of our parent Cosan Limited for the fiscal year ended March 31, 2010 (excluding financial statements and exhibits). We are the operating subsidiary of Cosan Limited. Although the operating and financial data in the annual report principally reflect our results of operations, our results and Cosan Limited's may not be directly comparable in certain instances. The table below provides a reconciliation of differences of our results of operations as compared to the results of Cosan Limited:

| U.S. GAAP | Year ended March 31, 2010 | Eleven months ended March 31, 2009 | Year ended April 30, 2008 |
|---|------------------------------|--|------------------------------|
| | (in millions of U.S.\$) | | |
| Statement of Operations Data: | | | |
| Net sales (including adjustments and eliminations)..... | 0.1 | — | — |
| Cost of goods sold | 4.3 | 4.0 | 0.8 |
| Gross profit..... | 4.2 | 4.0 | 0.8 |
| Selling expenses | — | — | — |
| General and administrative expenses..... | 3.0 | 3.8 | 1.7 |
| Operating income (loss) | 7.2 | 7.9 | 2.4 |
| Other income (expenses): | | | |
| Financial income | (23.5) | — | (37.5) |
| Financial expenses..... | — | (3.9) | — |
| Gain on tax recovery program | 0.1 | — | — |
| Other | 0.2 | — | — |
| Income (loss) before income taxes, equity in income (loss) of affiliates and noncontrolling interest | (16.0) | 4.0 | (35.1) |
| Income taxes (expense)/benefit | — | — | — |
| Income (loss) before equity in income (loss) of affiliates and noncontrolling interest..... | (16.0) | 3.9 | (35.0) |
| Equity in income (loss) of affiliates..... | — | — | — |
| Noncontrolling interest in (net income) loss of subsidiaries..... | 176.9 | (83.0) | (21.1) |
| Net income (loss)..... | 161.0 | (79.0) | (56.2) |
| Balance Sheet Data: | | | |
| Cash and cash equivalents | (18.2) | (198.1) | (29.6) |
| Marketable securities..... | — | — | (455.7) |
| Inventories | — | — | — |
| Property, plant, and equipment, net | (148.7) | (157.6) | (133.0) |
| Goodwill..... | (72.5) | (85.5) | (84.2) |
| Total assets | (259.2) | (458.4) | (712.6) |
| Current liabilities..... | 15.0 | (151.1) | (1.8) |
| Estimated liability for legal proceedings and labor claims | — | — | — |
| Long-term debt..... | (2.7) | (4.1) | (3.2) |
| Equity attributable to noncontrolling interest | (1,305.5) | (531.2) | (787.6) |
| Equity attributable to controlling shareholder | 1,122.2 | 113.5 | 121.9 |

**Portions of Annual Report on Form 20-F of Cosan Limited for the Year Ended March 31, 2010
(Not Including Financial Statements)**

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2010
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-33659

COSAN LIMITED

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Bermuda

(Jurisdiction of incorporation or organization)

**Av. Juscelino Kubitschek, 1726 – 6th floor
São Paulo, SP 04543-000, Brazil
(55)(11) 3897-9797**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

**Marcelo Eduardo Martins
(55)(11) 3897-9797**

ri@cosan.com.br

**Av. Juscelino Kubitschek, 1726 – 6th floor
São Paulo, SP 04543-000, Brazil**

(Name, telephone, e-mail and/or facsimile number and address of Company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Class A Common Shares

Name of each exchange on which registered

New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

The number of outstanding shares as of March 31, 2010 was:

Title of Class

Class A Common Shares, par value \$.01 per share

Class B – series 1 – Common Shares, par value \$.01 per share

Number of Shares Outstanding

174,355,341

96,332,044

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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FORWARD-LOOKING STATEMENTS

This annual report contains estimates and forward-looking statements, principally under “Item 3. Key Information—D. Risk Factors”, “Item 4. Information on the Company—B. Business Overview” and “Item 5. Operating and Financial Review and Prospects”. Some of the matters discussed concerning our business and financial performance include estimates and forward-looking statements.

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

- general economic, political, demographic and business conditions in Brazil and in the world and the cyclicity affecting our selling prices;
- our ability to implement our expansion strategy in other regions of Brazil and international markets through organic growth and acquisitions;
- competitive developments in the ethanol and sugar industries;
- our ability to implement our capital expenditure plan, including our ability to arrange financing when required and on reasonable terms;
- our ability to compete and conduct our businesses in the future;
- changes in customer demand;
- changes in our businesses;
- technological advances in the ethanol sector and advances in the development of alternatives to ethanol;
- government interventions and trade barriers, resulting in changes in the economy, taxes, rates or regulatory environment;
- inflation, depreciation and devaluation of the Brazilian *real*;
- other factors that may affect our financial condition, liquidity and results of our operations; and
- other risk factors discussed under “Risk Factors”.

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

Presentation of Financial and Other Information

We maintain our books and records in U.S. dollars and prepare our consolidated financial statements in accordance with U.S. GAAP.

In 2009, we modified our fiscal year to end on March 31. We have included in this annual report our audited consolidated financial statements for the year ended March 31, 2010, at and for the eleven month transition period ended March 31, 2009 and for the year ended April 30, 2008 prepared in accordance with U.S. GAAP. Unless otherwise indicated, all financial information of our company included in this annual report has been prepared in accordance with U.S. GAAP.

Cosan S.A. Indústria e Comércio, or “Cosan”, acquired Açucareira Corona S.A., or “Corona”, Mundial Açúcar e Álcool S.A., or “Mundial”, and Usina Açucareira Bom Retiro S.A., or “Bom Retiro”, and also increased its ownership in FBA—Franco Brasileira S.A. Açúcar e Álcool, or “FBA”, from 47.5% to 99.9% in fiscal year 2006. We also made other smaller acquisitions in fiscal year 2007. In December 2008, Cosan acquired 100% of the capital of Esso Brasileira de Petróleo Ltda., or “Essobras” (Cosan Combustíveis e Lubrificantes S.A., or “CCL”), and certain affiliates, marketers and distributors of fuel and lubricants in the Brazilian retail and wholesale markets as well as aviation fuel supply from ExxonMobil International Holding B.V., or “Exxon”. In April, Cosan acquired 100% of the outstanding shares of Teaçú Armazéns Gerais S.A., or “Teaçú”, from Rezende Barbosa S.A. Administração e Participações, or “Rezende Barbosa”. Teaçú holds a port concession in the city of Santos and operates a terminal dedicated to exporting sugar and other agricultural products. In June 2009, Cosan acquired 100% of the outstanding shares of Curupay S.A. Participações from Rezende Barbosa. The assets acquired include a non-controlling interest in Novo Rumo Logística S.A., or Novo Rumo, representing 28.82% of its outstanding shares which were issued in the Teaçú acquisition, and 100% of the outstanding shares of two operating companies, Nova América S.A. Trading and Cosan Alimentos (collectively referred to as “Nova América”). Nova América is a producer of sugar, ethanol and energy co-generation and also operates in trading and logistics. These acquisitions may affect the comparability of the financial information for the periods presented in this annual report. See “Item 4. Information on the Company—A. History and Development of the Company—Acquisitions, Partnerships and Corporate Restructurings.”

Fiscal Year

In 2009, we modified our fiscal year end. Beginning in 2009, our and Cosan’s fiscal year ends on March 31. Previously, our fiscal year ended on April 30. References in this annual report to “fiscal year 2010” relate to the fiscal year ended on March 31, 2010. References in this annual report to “transition fiscal year 2009” relates to the eleven months ended on March 31, 2009. References in this annual report to “fiscal year 2008” or prior fiscal years relate to the fiscal year ended on April 30 of that calendar year. However, for purposes of calculating income and social contribution taxes in accordance with Brazilian tax laws, the applicable year ends on December 31.

Market Data

We obtained market and competitive position data, including market forecasts, used throughout this annual report from market research, publicly available information and industry publications, as well as internal surveys. We include data from reports prepared by LMC International Ltd., or “LMC”, the Central Bank of Brazil (*Banco Central do Brasil*), or the “Central Bank”, Sugarcane Agroindustry Association of the State of São Paulo (*União da Agroindústria Canavieira de São Paulo*), or “UNICA”, Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or “IBGE”, the National Traffic Agency (*Departamento Nacional de Trânsito*), or DENATRAN, the Brazilian Association of Vehicle Manufacturers (*Associação Nacional dos Fabricantes de Veículos Automotores*), or “ANFAVEA”, Datagro Publicações Ltda., or “Datagro”, F.O. Licht, Czarnikow, Apoio e Vendas Procana Comunicações Ltda., the São Paulo Stock, Commodities and Futures Exchange (*BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros*), or “BM&FBOVESPA”, the International Sugar Organization, the Brazilian National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or “BNDES”, the New York Board of Trade, or NYBOT, the New York Stock Exchange, the London Stock Exchange, the National Agency of Petroleum, Natural Gas and Biofuels (*ANP - Agência Nacional do Petróleo, Gás Natural e Biocombustíveis*), or “ANP”, and the National Union of Distributors

of Fuels and Lubricants (*Sindicato Nacional das Empresas Distribuidoras de Combustíveis e Lubrificantes*), or “Sindicom”. We believe that all market data in this annual report is reliable, accurate and complete.

Terms Used in this Annual Report

In this annual report, we present information in gallons and liters. One gallon is equal to approximately 3.78 liters. In addition, we also present information in tons. In this annual report, references to “ton” refer to the metric ton, which is equal to 1,000 kilograms.

All references in this annual report to “TSR” are to total sugar recovered, which represents the total amount of sugar content in the sugarcane.

All references in this annual report to “U.S. dollars,” “dollars” or “US\$” are to U.S. dollars. All references to the “real”, “reais” or “R\$” are to the Brazilian real, the official currency of Brazil.

Rounding

We have rounding adjustments to reach some of the figures included in this annual report. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

[Intentionally omitted]

Exchange Rates

[Intentionally omitted]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

This section is intended to be a summary of more detailed discussion contained elsewhere in this annual report. Our business, financial condition or results of operations could be materially adversely affected by any of the risks and uncertainties described below. Additional risks not presently known to us, or that we currently deem immaterial, may also impair our financial condition and business operations.

Risks Related to Our Business and Industries

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

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

Ethanol is marketed as a fuel additive to reduce vehicle emissions from gasoline, as an enhancer to improve the octane rating of gasoline with which it is blended or as a substitute fuel for gasoline. As a result, ethanol prices are influenced by the supply and demand for gasoline, and our business and financial performance may be materially adversely affected if gasoline demand or price decreases. The increase in the production and sale of flex fuel cars 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 cars may decrease, which could adversely affect demand for ethanol.

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

- fluctuations in gasoline prices;

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

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

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

Sugar prices continued to increase during 2010, reflecting the deficit in global sugar production principally due to the drop in production in India, a large exporter of sugar that became a large importer. Sugar prices in the current fiscal year reached the highest levels in nearly 30 years.

We have entered into definitive agreements to form a joint venture with Shell to further develop our business. We have not yet received necessary regulatory and governmental approvals, and we cannot guarantee that the joint venture will be consummated or that it will be successful.

On August 25, 2010, we successfully concluded negotiations with Shell International Petroleum Company Limited, or Shell, and entered into definitive agreements for the creation of a proposed joint venture relating to the production, supply, distribution and retailing of ethanol-based fuels. The formation of the joint venture is expected to occur in the first half of 2011 and is subject to customary closing conditions, including receipt of required regulatory approval.

We cannot provide any assurance that we will be able to obtain necessary regulatory and governmental approvals to consummate the joint venture on acceptable terms or predict whether any conditions that may be imposed on our businesses in permitting the transaction to occur would have an adverse effect on our businesses. Moreover, assuming the joint venture is consummated, there can be no assurance that the joint venture will be successful and we cannot predict its effects on our business. We may incur unanticipated expenses, fail to realize anticipated benefits, disrupt relationships with current and new employees, customers and vendors or incur indebtedness.

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

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

determined by prices in the world market, so that there is a correlation between Brazilian ethanol prices and world sugar prices.

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

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

We have begun operations at our greenfield plant in the State of Goiás, the Jataí mill, which will be able to crush approximately 4 million tons when operating at full capacity by 2013. The Jataí mill is part of our project to build three ethanol greenfield mills in the State of Goiás. However, the investments in the other two plants are currently on hold and may be cancelled. Our Carapó greenfield project, which we acquired as part of the Nova América acquisition, began operating in the third quarter of fiscal year 2010.

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

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

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 affect our business and financial performance.

Our current total installed energy cogeneration capacity is approximately 860 MW, which are used to generate energy for our own industrial operations and to export surplus energy. Out of our 23 mills, six delivered energy to the Brazilian electricity grid in fiscal year 2010. Six additional energy co-generation projects will become operational between 2010 and 2012. We estimate that by 2012, we will have a total installed energy cogeneration capacity of 1,213 MW, out of which 869 MW will be from plants that will sell excess energy to the grid. The Brazilian government regulates the energy sector extensively. We may not be able to satisfy all the requirements necessary to acquire new contracts or to otherwise comply with Brazilian energy regulation. Changes to the current energy regulation or federal authorization programs, and the creation for more stringent criteria for qualification in future public energy auctions, may adversely affect the implementation of this element of our business strategy.

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 volatility of sugar prices and exchange rates on our cash flows and results of operations, we engage in hedging transactions involving commodities and exchange rate futures, options, forwards and swaps. We also engage in interest rate-related hedging transactions from time to time. Hedging transactions expose us to the risk of financial loss in situations where the other party to the hedging contract defaults on its contract or there is a change in the expected differential between the underlying price in the hedging agreement and the

actual price of commodities or exchange rate. In fiscal year 2006, we experienced losses of US\$209.4 million from sugar price and exchange rate hedging transactions. In fiscal year 2007 and fiscal year 2008, we experienced gains of US\$190.6 million and US\$49.3 million, respectively, from sugar price and exchange rate hedging transactions. In fiscal year 2009, we experienced gains of US\$22.9 million, and in fiscal year 2010 we experienced gains of US\$151.1 million. We may incur significant hedging-related losses in the future. We hedge against market price fluctuations by fixing the prices of our sugar export volumes and exchange rates. Since we record derivatives at fair value, to the extent that the market prices of our products exceed the fixed price under our hedging policy, our results will be lower than they would have been if we had not engaged in such transactions as a result of the related non-cash derivative expenses. As a result, our financial performance would be adversely affected during periods in which commodities prices increase. Alternatively, we may choose not to engage in hedging transactions in the future, which could adversely affect our financial performance during periods in which commodities prices decrease.

We face significant competition, which may adversely affect our market share and profitability.

The ethanol and sugar industries are highly competitive. Internationally, we compete with global ethanol and sugar producers such as Poet, Inc., Archer-Daniels-Midland Company, Cargill, Inc. and A.E. Staley Manufacturing Company (a subsidiary of Tate & Lyle, PLC). Some of our competitors are divisions of larger enterprises and have greater financial resources than our company. In Brazil, we compete with numerous small to medium-size producers. Despite increased consolidation, the Brazilian ethanol and sugar industries remain highly fragmented. Our major competitors in Brazil are Louis Dreyfus Commodities - Santelisa Vale (the second largest ethanol and sugar producer in Brazil), Guarani (the third largest ethanol and sugar producer in Brazil), Bunge, Santa Terezinha, São Martinho, Carlos Lyra, Tercio Wanderley, Zilor, Oscar Figueiredo, Da Pedra, and Irmãos Biagi and other ethanol and sugar producers in Brazil market their ethanol and sugar products through the Cooperative of Sugarcane, Sugar and Ethanol Producers of the State of São Paulo (*Cooperativa de Produtores de Cana-de-açúcar, Açúcar e Álcool do Estado de São Paulo*), or “Copersucar”. During the 2009/2010 harvest, Copersucar was comprised of 38 producers in the states of São Paulo, Minas Gerais and Paraná. We are not a member of Copersucar.

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

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

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

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

Petrobras is our principal supplier of our base oils and of our fuel distribution business unit.

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

We may face significant challenges in implementing our expansion strategy in other regions of Brazil and international markets.

Our growth strategy includes the expansion of our activities in other regions of Brazil and international markets, through organic growth and acquisitions. Our expansion to regions of Brazil in which we do not now operate may involve potential challenges, such as inadequate transportation systems and different state and local laws, regulations and policies. For example, we may not be able to secure an adequate supply of sugarcane either from suppliers or through our own cultivation in sufficient proximity to our mills to be economically viable in terms of transportation costs.

We are currently looking at opportunities worldwide, but have not yet identified any particular investment locations outside of Brazil. Our international expansion, to countries in which we do not now operate includes additional challenges, such as the following:

- changes in economic, political or regulatory conditions;
- difficulties in managing geographically diverse operations;
- changes in business regulation, including policies governing ethanol technological standards;
- effects of foreign currency movements;
- difficulties in enforcing contracts; and
- cultural and language barriers.

If we fail to address one or more of these challenges, our business and financial performance may be materially adversely affected.

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

In fiscal year ended March 31, 2010, our net sales from exports represented 13.6% of our total net sales.

In transition fiscal year 2009, our net sales from exports were US\$929.2 million, representing 31.8% of our total net sales. During this same period, our net sales from sugar exports were US\$733.4 million, representing 25.1% of our total net sales, and our net sales from exports of ethanol were US\$187.2 million, representing 6.4% of our total net sales.

In fiscal year ended April 30, 2008, our net sales from exports were US\$823.2 million, representing 55.2% of our total net sales. During this same period, our net sales from sugar exports were US\$649.8 million, representing 43.6% of our total net sales, and our net sales from exports of ethanol were US\$166.1 million, representing 11.1% of our total net sales.

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

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

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

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

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

We have grown substantially through acquisitions. We plan to continue to acquire, from time to time, other ethanol or sugar producers or facilities in Brazil or elsewhere that complement or expand our sugar and ethanol existing operations. Moreover, we plan to acquire and build, from time to time, fuel terminals, lubricant production assets, retail distribution stations and other assets that complement and expand our fuel and lubricants existing operations and also intend to expand our network of service stations through increased branding. We also may enter into strategic alliances to increase our competitiveness. However, our management is unable to predict whether or when any prospective acquisitions or strategic alliances will occur, or the likelihood of any particular transaction being completed on favorable terms and conditions. Our ability to continue to expand our business through acquisitions or alliances depends on many factors,

including our ability to identify acquisitions or access capital markets on acceptable terms. Even if we are able to identify acquisition targets and obtain the necessary financing to make these acquisitions, we could financially overextend ourselves, especially if an acquisition is followed by a period of lower than projected ethanol and sugar prices.

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

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

We have recently entered into definitive agreements with Shell for the creation of a proposed joint venture. See “Item 4. Information of the Company—A. History and Development of the Company—Acquisitions, Partnerships and Corporate Restructuring”. However, currently, we may not be able to estimate accurately the impact this event will have on our business. We will not be able to quantify the effects in our financial statements until after Shell’s financial information becomes public and both Shell and we provide information about the synergies expected with the creation of the joint venture. We cannot assure you that the joint venture will be successful nor can we predict its effects on our business.

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

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

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

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

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

In addition, petroleum and petroleum products have historically been subject of price controls in Brazil. Currently there is no legislation or regulation in force giving the Brazilian government power to set prices for petroleum, petroleum products, ethanol or NGV. However, given that Petrobras, the only supplier of oil-based fuels in Brazil, is a state-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 financials results, which are not linked to international prices.

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

As part of our strategy, we continue to seek to reduce operating costs and increase operating efficiencies to improve our future financial performance. For example, we are purchasing new harvesters and increasing our mechanical harvesting with the goal of reducing sugarcane burning according to the Agri-Environmental Sugarcane Protocol. In areas that are suitable for the replacement of a manual harvest with a mechanical harvest, the burning of sugarcane must be reduced as follows: (1) 70% of the harvested area by 2010; and (2) 100% of the harvested area by 2014. For areas that do not technically allow the replacement of a manual harvest with a mechanical harvest, the burning of sugarcane must be reduced as follows: (1) 30% of the harvested area by 2010; and (2) 100% of the harvested area by 2017. We may not be able to achieve the cost savings that we expect to realize from this and other initiatives. Any failure to realize anticipated cost savings may adversely affect our competitiveness and financial performance.

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

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

- the generation, storage, handling, use and transportation of hazardous materials;
- the emission and discharge of hazardous materials into the ground, air or water; and
- the health and safety of our employees.

We are also required to obtain permits from governmental authorities for certain aspects of our operations. These laws, regulations and permits often require us to purchase and install expensive pollution control equipment or to make operational changes to limit actual or potential impacts on the environment and/or health of our employees. Currently, we do not anticipate any material claims or liabilities resulting

from a failure to comply with these laws and regulations. However, any violations of these laws and regulations or permit conditions can result in substantial fines, criminal sanctions, revocations of operating permits and/or shutdowns of our facilities.

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

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

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

Approximately 35% of our sugarcane is currently harvested by burning the crop, which removes leaves and destroys insects and other pests. The State of São Paulo and some local governments have established laws and regulations that limit our ability to burn sugarcane or that reduce and/or entirely prohibit the burning of sugarcane. We currently incur significant costs to comply with these laws and regulations, and there is a likelihood that increasingly stringent regulations relating to the burning of sugarcane will be imposed by the State of São Paulo and other governmental agencies in the near future. As a result, the costs to comply with existing or new laws or regulations are likely to increase, and, as a result, our ability to operate our own plants and harvest our sugarcane crops may be adversely affected.

Any failure to comply with these laws and regulations may subject us to legal and administrative actions. These actions can result in civil or criminal penalties, including a requirement to pay penalties or fines, which may range from R\$50.00 to R\$50,000 million (US\$27.93 to US\$27.930 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.

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

Our sugar production depends on the volume and sucrose content of the sugarcane that we cultivate or that is supplied to us by growers located in the vicinity of our mills. Crop yields and sucrose content depend primarily on weather conditions such as rainfall and temperature, which vary and may be influenced by global climate change. Weather conditions have historically caused volatility in the ethanol and sugar industries and, consequently, in our results of operations by causing crop failures or reduced harvests. Flood, drought or frost, which may be influenced by global climate change, can adversely affect the supply and pricing of the agricultural commodities that we sell and use in our business. Future weather patterns may reduce the amount of sugar or sugarcane that we can recover in a given harvest or its sucrose content. In addition, our business is subject to seasonal trends based on the sugarcane growing cycle in the Center-South region of Brazil. The annual sugarcane harvesting period in the Center-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, with ethanol and sugar sales significantly lower in the last quarter of the fiscal year. Seasonality and any reduction

in the volumes of sugar recovered could have a material adverse effect on our business and financial performance.

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

Sugarcane is our principal raw material used for the production of ethanol and sugar. In fiscal year 2010, sugarcane purchased from suppliers accounted for 53.4% of our total sugarcane crushed.. Historically, approximately 80% of the sugarcane purchased by us has been under medium- and long-term contracts with sugarcane growers, 5% on a spot basis and the remaining 15% from sugarcane growers with whom we have long-term relationships but no contractual arrangements. We generally enter into medium- and long-term supply contracts for periods varying from three and one-half to seven years. As of March 31, 2010, we also leased 437,698 hectares under 2,128 land lease contracts with an average term of five years. Any shortage in sugarcane supply or increase in sugarcane prices in the near future, including as a result of the termination of supply contracts or lease agreements representing a material reduction in the sugarcane available to us for processing or increase in sugarcane prices may adversely affect our business and financial performance.

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

We have various credit terms with virtually all of our wholesale and retail industrial customers, and our customers have varying degrees of creditworthiness which exposes us to the risk of nonpayment or other default under our contracts and other arrangements with them. In the event that a significant number of material customers default on their payment obligations to us, our financial condition, results of operations or cash flows, could be materially and adversely affected.

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

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

- catastrophic events, including hurricanes;
- environmental remediation;
- labor difficulties; and
- disruptions in the supply of our products to our facilities or means of transportation.

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

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

Our operations will be subject to risks affecting our agricultural properties and facilities, including fire potentially destroying some or our entire yield and facilities. In addition, our operations are subject to hazards associated with the manufacture of inflammable products and transportation of feed stocks and inflammable products. Our insurance coverage may not be sufficient to provide full protection against these types of casualties. Our Da Barra mill was responsible for approximately 12% of our total sugar production in the

2009/2010 harvest. Any material damage to our Da Barra mill would adversely affect our production volumes and, consequently, our financial performance.

Disease and pestilence may strike our crops which may result in destruction of a significant portion of our harvest.

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

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

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

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

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

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

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

The development and implementation of new technologies may result in a significant reduction in the costs of ethanol production. We cannot predict when new technologies may become available, the rate of

acceptance of new technologies by our competitors or the costs associated with such new technologies. Advances in the development of alternatives to ethanol also could significantly reduce demand or eliminate the need for ethanol as a fuel oxygenate. Any advances in technology which require significant capital expenditures to remain competitive or which otherwise reduce demand for ethanol will have a material adverse effect on our business and financial performance.

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

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

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

A substantial portion of our sugar and ethanol production is sold to a small number of customers that acquire large portions of our production and thus may be able to exercise significant bargaining power concerning pricing and other sale terms. In fiscal year 2010, four of our customers accounted for approximately 27% of our net sales of sugar. In the same fiscal year, five of our customers accounted for approximately 75% of our ethanol volume sold. In addition, intensive competition in the ethanol and sugar industries further increases the bargaining power of our customers.

Our subsidiary's port concession is subject to termination by the granting authority.

We own and operate a sugar-loading terminal at the Port of Santos in the State of São Paulo through our subsidiary Rumo Logística S.A., or "Rumo Logística". This port terminal is a result of the association of two previous terminals, Cosan Operadora Portuária S.A., or "Cosan Portuária", and Teaçü Armazéns Gerais S.A., or "Teaçü" (previously owned by Nova América). The close proximity of our mills to the port enables us to benefit from lower transportation costs. Pursuant to the port concession agreement with the State of São Paulo's Port Authority (*Companhia de Docas do Estado de São Paulo – CODESP*), or "CODESP," Cosan Portuária's concession to operate this terminal will expire on 2016, and it may be renewed for an additional 20 years if Cosan Portuária meets its obligations under the port concession agreement. We are already discussing with the CODESP the renewal of this concession, but we cannot provide assurances that we will be able to renew the concession at all or on favorable terms. The South Terminal concession (formerly Teaçü) was initially scheduled to expire in 2016, but has been extended until 2036. All port concessions may be unilaterally terminated by the granting authority prior to that time upon:

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

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

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

We are involved in a significant number of tax, civil and labor proceedings, which we estimate involve claims against us totaling US\$1,250.3 million, and as to which, at March 31, 2010, we recorded a provision totaling US\$294.6 million, net of judicial deposits totaling US\$94.1 million. We cannot predict whether we will prevail in these or other proceedings, or whether we will have to pay significant amounts, including penalties and interest, as payment for our liabilities, which would materially and adversely impact our business and financial performance.

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

Global market and economic conditions have been, and continue to be, disruptive and volatile. The debt capital markets have been impacted by significant write-offs in the financial services sector and the re-pricing of credit risk, among other things. These events have negatively affected general economic conditions. In particular, the cost of raising money in the debt capital markets has increased substantially while the availability of funds from those markets has diminished significantly. Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards and reduced and, in some cases, ceased to provide funding to borrowers on commercially reasonable terms or at all.

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

Our subsidiary Rumo Logística may not obtain the expected return of the contracts with ALL.

Our indirect subsidiary Rumo Logística entered into long term contracts with ALL – América Latina Logística S.A., or “ALL”, providing that Rumo Logística will make investments to expand ALL’s rail transport capacity in exchange for ALL transporting raw sugar and other derivatives. The contracts provide that Rumo Logística will invest approximately R\$1.2 billion in a rail transport system, to be supported by ALL’s operations, with investments in (1) the duplication, expansion and improvements to the railway line and the yards in the Bauru-Santos/São Paulo railway corridor, sharply increasing its operating capacity; (2) the acquisition of locomotives and hopper railcars; and (3) the construction and expansion of terminals. In return, ALL will provide transport services, guaranteeing (1) a minimum volume curve; (2) competitive tariffs in comparison with road transport; (3) management of locomotive and wagon suppliers; and (4) payment of rent on equipment in proportion to the actual volume of the product transported. In the event Rumo Logística is not able to originate the volume of sugar to be transported, we may not receive the contractual fees, which could impact negatively the return of invested capital.

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

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

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

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

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

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

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

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

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

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

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

We engage in business and financial transactions with our controlling shareholder and other shareholders that may create conflicts of interest between our company and these shareholders. For example, we enter into land leasing agreements with our affiliates, including Amaralina Agrícola Ltda., or “Amaralina”, Santa Bárbara Agrícola S.A., or “Santa Bárbara” and São Francisco S.A., or “São Francisco”. The accounts payable balances result mainly from the lease of agriculture land, which are at prices and on terms equivalent to the

average terms and prices of transactions that we enter into with third parties. Commercial and financial transactions between our affiliates and us, even on if entered into on an arm's length basis, create the potential for, or could result in, conflicts of interests.

Risks Related To Brazil

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

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

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

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

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

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

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

At times in the past, Brazil has experienced high rates of inflation. According to the General Market Price Index (*Índice Geral de Preços – Mercado*), or "IGP-M", a general price inflation index, the inflation rates in Brazil were 12.4% in 2004, 1.2% in 2005, 3.8% in 2006, 7.7% in 2007, 9.8% in 2008 and deflation of 1.71%

in 2009. 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 7.6% in 2004, 5.7% in 2005, 3.1% in 2006, 4.5% in 2007, 5.9% in 2008, and 4.3% in 2009. The Brazilian government’s measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets.

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

Our reporting currency is the U.S. dollar but a substantial portion of our sales is in Brazilian reais, so that exchange rate movements may increase our financial expenses and negatively affect our profitability.

Cosan generally invoices its sales in Brazilian *reais*, but reports results in U.S. dollars. The results of Cosan and our other Brazilian subsidiaries are translated from reais into U.S. dollars upon consolidation. When the U.S. dollar strengthens against other currencies, our net sales and net income may decrease.

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

The Brazilian currency has historically suffered frequent devaluations. In the past, the Brazilian government has implemented various economic plans and exchange rate policies, including sudden devaluations and periodic mini-devaluations, during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. There have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. In fiscal year 2004, the real devalued slightly by 1.9%, ending at R\$2.945 per US\$1.00. In fiscal year 2005, the real ended at R\$2.531 per US\$1.00, which represented a 14.0% appreciation. In fiscal year 2006, the real appreciated by 17.5%, ending at R\$2.089 per US\$1.00. In fiscal year 2007, the *real* appreciated by 2.6%, ending at R\$2.034 per US\$1.00. In fiscal year 2008, the real appreciated by 20.5%, closing at R\$1.687 per US\$1.00. In transition fiscal year 2009, the real devalued by 37.2%, closing at R\$2.315 per US\$1.00. In fiscal year 2010, the *real* depreciated by 23.1%, closing at R\$1.781 per US\$1.00 on March 31, 2010.

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

deterioration of the country's current account and the balance of payments and may dampen export-driven growth.

Because a substantial portion of Cosan's indebtedness is, and will continue to be, denominated in or indexed to the U.S. dollar, our foreign currency exposure related to Cosan's indebtedness as of March 31, 2010 was US\$1,717 million. We manage a portion of our exchange rate risk through foreign currency derivative instruments, but our foreign currency debt obligations are not completely hedged. In addition, a devaluation of the real would effectively increase the interest expense in respect of our U.S. dollar-denominated debt.

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

The Brazilian government regularly implements changes to tax regimes that may increase the tax burden on Cosan and its customers. These changes include modifications in the rate of assessments and, on occasion, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. In April 2003, the Brazilian government presented a tax reform proposal, which was mainly designed to simplify tax assessments, to avoid internal disputes within and between the Brazilian states and municipalities, and to redistribute tax revenues. The tax reform proposal provided for changes in the rules governing the federal Social Integration Program (*Programa de Integração Social*), or "PIS", the federal Contribution for Social Security Financing (*Contribuição para Financiamento da Seguridade Social*), or "COFINS", the federal Tax on Bank Account Transactions (*Contribuição Provisória sobre Movimentação ou Transmissão de Valores e de Créditos e Direitos de Natureza Financeira*), or "CPMF", the state Tax on the Circulation of Merchandise and Services (*Imposto Sobre a Circulação de Mercadorias e Serviços*), or "ICMS", and some other taxes. The effects of these proposed tax reform measures and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified. Moreover, as a measure to avoid unfair competitive practices in the ethanol business, the federal government has recently enacted Law No. 11,727/08. According to this new law, the collection of PIS and COFINS has shifted from the distributors to distilleries, thereby increasing the burden of these taxes collected at the distilleries from 25% to 40%. The law further requires the installation of flow meters at distilleries to control the output of ethanol. Some of these measures may result in increases in our overall tax burden, which could negatively affect our overall financial performance.

Risks Related to our Common Shares

[Intentionally omitted]

Item 4. Information on the Company

A. History and Development of the Company

[Intentionally omitted]

Our history dates back to 1936 when the Costa Pinto mill was established by the Ometto family in the city of Piracicaba in the State of São Paulo, with annual sugarcane crushing capacity of 4.0 million tons. Beginning in the mid 1980s, we began to expand our operations through the acquisition of various milling facilities in the State of São Paulo. In 1986, Usina Santa Helena and Usina São Francisco became part of Cosan, with annual sugarcane crushing capacity of 2.1 and 1.4 million tons, respectively. In 1988, Usina Ipaussu added an extra 2.0 million tons of annual sugarcane processing capacity. In 1996, we were granted a concession from the Brazilian government for the construction, development and operation of a sugar-loading terminal at the Port of Santos, currently managed by our subsidiary Cosan Portuária. In 1998, Usina Diamante and Usina da Serra became part of our group, with annual sugarcane crushing capacity of 2.0 and 1.8 million tons, respectively.

In February 2000, Cosan's then shareholders approved an increase in the share capital of Irmãos Franceschi Agrícola Industrial e Comercial Ltda., Cosan's predecessor company, in exchange for the contribution to Cosan of the Costa Pinto, Santa Helena, São Francisco and Tamandupá mills. As a result,

Cosan became a corporation and changed its name to Cosan S.A. Indústria e Comércio. Since 2000, we have expanded our operations primarily through acquisitions, partnerships and corporate restructurings, taking strategic advantage of the deregulation of the sugar industry in Brazil.

Our operating activities are carried out primarily through Cosan, Cosan Alimentos S.A. (formerly known as Nova América S.A. – Agroenergia) and Cosan Açúcar e Álcool S.A., or CAA, (formerly known as Usina Da Barra S.A. Açúcar e Álcool, or Da Barra). We also operate a sugar port terminal at the Port of Santos through Rumo Logística and own a 66.67% interest in an ethanol terminal also located at the Port of Santos named TEAS. We currently operate 23 mills, two of which are leased from third parties (Junqueira and Dois Corregos) under operating leases. One of these mills incurs lease payments that are based on a percentage of its sales.

Acquisitions, Partnerships and Corporate Restructurings

Since May 2004, we have expanded our annual sugarcane crushing capacity by 102.8% from approximately 24.8 million tons to approximately 60 million tons as of March 31, 2010, primarily through acquisitions, partnerships and corporate restructurings (after the completion of the Nova América acquisition, on June 18, 2009 we added approximately 10.6 million tons to our sugarcane crushing capacity). As a result of these acquisitions, partnerships and corporate restructurings, our net sales and gross profit have increased significantly.

Our principal acquisitions, partnerships and corporate restructurings since May 2004 consist of the following:

- In December 2004, Cosan acquired, through FBA, controlling interests in the Destivale Group (which consists of Destilaria Vale do Tietê, or “Destivale”, Destiagro Destivale Agropecuária Ltda., or “Destiagro”, Agrícola Destivale Ltda., or “Agrícola Destivale”, and Auto Posto Destivale Ltda., or “Auto Posto Destivale”) for an aggregate purchase price of US\$36.7 million. The Destivale Group has 1.0 million tons of sugarcane crushing capacity. In March 2006, Destivale and Destiagro were merged into Corona.
- In May 2005, Cosan acquired from Tereos do Brasil Participações Ltda. and Sucden Investimentos S.A., for US\$100.9 million the remaining 52.5% of the outstanding shares of FBA, generating goodwill in the amount of US\$32.9 million.
- In July 2005, Cosan transferred all of its ownership interest in Amaralina to Cosan’s shareholders, valued at US\$118.6 million.
- In December 2005, Cosan indirectly acquired 100% of the common shares of Mundial, and of Alcomira S.A. The purchase price was US\$29.2 million in cash plus the assumption of certain existing liabilities of Mundial in an amount of US\$23.0 million. Cosan recorded US\$52.2 million in goodwill related to this acquisition. At the time of the acquisition, Mundial was located in Mirandópolis, São Paulo, and had an annual sugarcane crushing capacity of approximately 1.3 million tons of sugarcane.
- In February 2006, Cosan purchased all of the equity capital of Corona from Aguassanta Comercial Exportadora e Importadora S.A., or “Aguassanta Comercial” (a company indirectly controlled by our chairman), S.A. Fluxo Comércio e Assessoria Internacional, or “Fluxo” and certain individuals, for US\$180.6 million (generating goodwill in an aggregate amount of US\$196.4 million, due to liabilities assumed in an aggregate amount of US\$15.9 million). Corona owns approximately 14,500 hectares of land located in the Ribeirão Preto region in the State of São Paulo and two mills (Bonfim and Tamoio) with a total annual sugarcane crushing capacity of approximately 6.0 million tons.
- In March 2006, Cosan merged Usina da Barra S.A.—Açúcar e Álcool, and FBA, among other subsidiaries, into Corona and changed Corona’s name to Usina da Barra S.A.—Açúcar e Álcool, currently CAA.

- In April 2006, Cosan acquired controlling interests in Bom Retiro for an aggregate purchase price of US\$51.1 million (generating goodwill in an aggregate amount of US\$16.4 million). At the time of the acquisition, Bom Retiro owned one mill (Bom Retiro) with an annual sugarcane crushing capacity of 1.2 million tons.
- In October 2006, Mundial and Bom Retiro, among other subsidiaries, merged into Cosan.
- In February 2007, Usina da Barra merged into Danco Participações S.A., having its corporate name changed to Usina da Barra S.A.—Açúcar e Álcool, currently CAA.
- In April 2007, Cosan, together with São Martinho S.A. and Santa Cruz S.A. Açúcar e Álcool acquired Usina Santa Luiza and Agropecuária Aquidaban Ltda. for an aggregate purchase price of US\$112.0 million, of which US\$39.4 million was paid by Cosan. The acquisition was carried out through Etanol Participações S.A., a holding company formed by Usina São Martinho S.A. (a wholly-owned subsidiary of São Martinho S.A.), Cosan and Santa Cruz S.A. Açúcar e Álcool, with respective interests of 41.67%, 33.33% and 25.00%, and which will be managed on a joint basis, with representatives of each shareholder on the board of directors and the executive board. Usina Santa Luiza is located in the City of Motuca, in the State of São Paulo.
- In August 2007:
 - Aguassanta Participações S.A., or “Aguassanta” and Usina Costa Pinto S.A. Açúcar e Álcool, or “Costa Pinto”, controlling shareholders of Cosan and both indirectly controlled by our chairman, Mr. Rubens Ometto Silveira Mello, contributed their common shares of Cosan to us in exchange for 96,332,044 of our class B series 1 common shares. The common shares contributed to us by Aguassanta and Costa Pinto consist of 96,332,044 common shares of Cosan, representing 51.0% of Cosan’s outstanding common shares; and
 - Aguassanta then contributed our class B series 1 common shares to Queluz Holdings Limited, its newly created British Virgin Islands subsidiary, which is also indirectly controlled by our chairman, Mr. Rubens Ometto Silveira Mello, in a manner that resulted in Queluz Holdings Limited and Costa Pinto being our direct shareholders. As a result we currently own 96,332,044 common shares of Cosan, representing 51.0% of Cosan’s outstanding common shares.
 - We completed our initial public offering and listed our class A common shares on the NYSE. We received US\$1.1 billion, net of directly attributable costs, in aggregate proceeds from the initial public offering.
- In December 2007:
 - Cosan contributed to the capital stock of its controlled entity Usina da Barra S.A., shares representing 33.33% of the capital stock of Etanol Participações S.A.
 - Cosan’s shareholders approved a capital increase in the amount of 82,700,000 common shares. The results of the capital increase were announced on January 23, 2008. Minority shareholders subscribed for a total of 26,092,604 common shares and Cosan Limited subscribed for a total of 56,607,396 shares.
- On February 14, 2008, Cosan acquired 100% of the capital stock of Benálcool Açúcar e Álcool S.A. for US\$42.7 million. Cosan recorded US\$88.1 million in goodwill related to this acquisition. The purchase price was paid in cash by Cosan. The principal asset of Usina Benálcool is its sugarcane and alcohol mill, which has an annual processing capacity of approximately 1.3 million tons of sugarcane. Usina Benálcool is located in the Araçatuba region, where Cosan already has four other operational units. With this acquisition, Cosan has increased its presence in an important production region.

- On April 23, 2008, Cosan entered into an agreement with Exxon, for the acquisition of 100% of the capital of Esso Brasileira de Petróleo Ltda. and its subsidiaries, or “Essobrás”, a distributor and seller of fuels and producer and seller of lubricants and specialty petroleum products of ExxonMobil in Brazil. On December 1, 2008, Cosan completed the acquisition of all of the outstanding shares of Essobrás for a purchase price of approximately US\$715 million and assumed debts in the amount of US\$175 million. On January 16, 2009 the corporate name of Essobrás was changed to Cosan Combustíveis e Lubrificantes S.A. At the time of the acquisition, CCL had a distribution network of more than 1,500 stations in Brazil and 40 fuel distribution centers. Additionally, CCL registered annual sales of more than 5 billion liters of ethanol, gasoline and diesel, 160 million cubic meters of VNG and 127,000 cubic meters of lubricants produced at our plant in Rio de Janeiro, which will continue to offer products under the Esso and Mobil brands, developed using Exxon’s global technology. With this acquisition, we expanded our business model to become the first integrated renewable energy company in the world, with operations ranging from sugarcane cultivation to fuel distribution and sales in the retail market.
- On August 28, 2008, Cosan announced the incorporation of a new subsidiary named Radar Propriedades Agrícolas S.A., or “Radar”, which makes real estate investments in Brazil identifying and acquiring rural properties with high appreciation potential for subsequent leasing and/or sale. Cosan currently holds 18.9% of Radar. Cosan initially invested US\$35 million and the other investors US\$150 million. Furthermore, the parties have committed to invest an amount equal to US dollar equivalent of the Brazilian *reais* amount initially invested, which should only be disbursed when approximately 50% of the initial capital contribution has been invested. Cosan has the right to exercise significant influence on Radar’s operations and, therefore, the investment is accounted using the equity method.
- In October 2008, a private subscription was announced involving US\$50 million by the controlling shareholder, Mr. Rubens Ometto Silveira Mello, and up to US\$150 million by the funds managed by Gávea Investimentos Ltda., at US\$4.50 per class A share or BDR subscribed. The offering was extended to all class A share or BDR holders, as permitted by applicable law. The offering was concluded on October 27, 2008. As a result, Mr. Rubens Ometto Silveira Mello holds 41.5% of our total capital and 86.1% of our voting capital.
- On April 9, 2009, Cosan and Rezende Barbosa, concluded the port terminals combination of Cosan and Teaçú, a subsidiary of Rezende Barbosa. As a result, Cosan, through its subsidiary Novo Rumo acquired 100% of the outstanding shares of Teaçú for R\$121 million (US\$53.0 million) and shares representing 28.82% of Novo Rumo’s capital. Teaçú holds a port concession in the City of Santos and operates a terminal dedicated to exporting sugar and other agricultural products. As a result of the transaction, Cosan’s indirect participation in Novo Rumo’s capital is of 71.18%.
- On June 17, 2009, Cosanpar Participações S.A., or Cosanpar, a wholly-owned subsidiary of Cosan, sold to Shell Brasil Ltda. its equity interest in Jacta Participações S.A., or “Jacta”, a distributor of aviation fuel that was part of Essobras. Cosanpar received R\$115.6 million (US\$59.2 million) from the sale.
- On June 18, 2009, Cosan entered into an agreement with Rezende Barbosa to acquire 100% of the outstanding shares of Curupay S.A. Participações, or “Curupay”. The acquisition was carried out through the merger of Curupay into Cosan resulting in the issuance by Cosan of 44,300,389 new common shares, representing 11.89% of its corporate capital on June 18, 2009, fully subscribed and paid-in by Rezende Barbosa. The 11.89% reflects the interest acquired by Rezende Barbosa in Cosan’s capital. The total amount of Cosan’s capital increase was US\$170 million, related to this transaction. The principal investment of Curupay was the ownership of 100% of the outstanding shares of Nova América S.A. Agroenergia, or “Nova América”. Nova América is a producer of sugar, ethanol and energy co-generation which also operates in trading and logistics. The assets acquired include the non-controlling interest in Novo Rumo representing 28.82% of its outstanding shares which were issued in the Teaçú acquisition, and 100% of the outstanding shares of two operating companies, Nova América S.A. Trading and Nova América S.A. Agroenergia, and the “União” brand, which is the leading sugar brand in Brazil. Nova América is a producer of sugar, ethanol and energy co-generation and also operates in trading and logistics.

- On August 25, 2010, we successfully concluded negotiations with Shell and entered into definitive agreements for the creation of a proposed joint venture. The formation of the joint venture is expected to occur in the first half of 2011 and is subject to customary closing conditions and receipt of required regulatory approval. The combined assets of the joint venture would result in an estimated enterprise value of US\$12 billion. Cosan and its subsidiaries would contribute their sugar and ethanol businesses, their energy co-generation business, their fuel distribution and retail fuels businesses and their ethanol logistics assets and would transfer net debt of approximately US\$2.5 billion to the joint venture. Cosan and its subsidiaries would transfer additional debt of up to R\$500 million from BNDES currently used for capital expenditures relating to the sugar and ethanol business from March 31, 2010 through the closing of the transaction. Shell and its affiliates would contribute their Brazilian fuel distribution and retail businesses, their Brazilian aviation fuels business, their beneficial interest in two companies (Iogen and Codexis) involved in the research and development of biomass fuel, including ethanol and a capital contribution resulting in cash proceeds to the proposed joint venture of approximately US\$1.6 billion. See “Item 10. Additional Information—C. Material Contracts.”
- The joint venture would consist of three separate legal entities: the Sugar & Ethanol joint venture would carry out the production of sugar and ethanol and co-generation activities; and the Downstream joint venture would carry out the supply, distribution and sale of fuels in Brazil; and the Management joint venture would facilitate the building of a unified corporate culture. The resulting company would have a network of approximately 4,500 fuel stations throughout Brazil, and the joint venture would be the third largest fuel retailer in the country, with strong potential for future growth.
- Mr. Rubens Ometto Silveira Mello would serve as chairman of the board of directors (or equivalent body) of the joint venture.
- Cosan would not contribute to the joint venture its lubricants manufacturing and marketing business, its logistics business carried out by Rumo Logística, its land prospecting and development business carried out by Radar Propriedades Agrícolas S.A., and its food retail brands such as “Da Barra” and “União”.
- On July 2, 2010, Cosan entered into a subscription agreement with investment vehicles controlled by TPG Capital, or “TPG”, and Gávea Investimentos, or “Gávea”, pursuant to which, upon the closing of the transaction contemplated thereunder, the investors agreed to make an equity investment in Rumo Logística, that shall be made by means of a capital increase in the total amount of R\$400 million (US\$224.9 million), to be paid by the investors in equal proportions, that will represent 12.5% of issued and outstanding capital stock of Rumo Logística for each investor.

Capital Expenditures

The following table sets forth our capital expenditures, net of cash received from sale of long term assets, for the fiscal year ended March 31, 2010, for the eleven months ended March 31, 2009 and fiscal year ended April 30, 2008:

| | For Fiscal Year Ended March 31, | For Eleven Months Ended March 31, | For Fiscal Year Ended April 30, |
|--|--|--|--|
| | 2010 | 2009 | 2008 |
| | (in millions of US\$) | | |
| Sugar cane planting costs | US\$ 149.0 | US\$ 64.0 | US\$ 142.5 |
| Co-generation projects | 259.5 | 161.8 | 99.7 |
| Inter-harvest maintenance costs..... | 146.5 | 64.3 | 89.6 |
| Other operating capital expenditures | 531.5 | 371.4 | 311.1 |
| Acquisitions, net of cash acquired..... | 2.0 | 714.4 | 102.0 |
| Total | 1,084.5 | 1,375.9 | 744.9 |

We are continuously searching for opportunities to increase our production capacity of sugar, ethanol and bio-electricity, including the development of greenfield projects. In fiscal year 2010, two new mills, the Jataí mill in the State of Goiás and Caarapó mill in the State of Mato Grosso do Sul (the latter is a project we inherited in its final stage of development with the Nova América acquisition) began operating.

Our capital expenditure program is focused on four key areas:

Greenfield Project

We have begun operations at two ethanol and sugar plants in the States of Goiás and Mato Grosso do Sul, Brazil. We have acquired the land for the industrial facilities and entered into leases for sugarcane cultivation. Our estimated capital expenditures for the Goiás (Jataí) project amounts to approximately US\$500 million, US\$360 million of which we plan to finance and for which we have obtained BNDES approval. Production at this facility began in the third quarter of fiscal year 2010 and is expected to reach full capacity by fiscal year 2013, with an expected crushing capacity of 4 million tons of sugarcane and production of approximately 97 million gallons (370 million liters) of ethanol per year. Our estimated capital expenditures for the Mato Grosso do Sul (Caarapó) project is approximately US\$259 million US\$155 million of which we plan to finance and for which we have obtained BNDES approval. Production at this facility began in the third quarter of fiscal year 2010 and is expected to reach full capacity by fiscal year 2011, with an expected crushing capacity of 2 million tons of sugarcane and production of approximately 75 million liters (19.8 million gallons) of ethanol per year.

Expansion of Our Crushing Capacity

We intend to make additional investments to expand the crushing capacity of our mills. These investments are expected to be applied primarily to our Bonfim, GASA, Costa Pinto, Barra, Tamoio, Ipaussu e Junqueira mills, both in industrial equipment and in new sugarcane crop plantation. See “—Acquisitions, Partnerships and Corporate Restructurings.”

Cogeneration Projects

We intend to invest in cogeneration projects in six of our existing 23 mills, which will allow these mills to sell energy to third parties. Besides those projects, we have already finalized cogeneration projects in Serra, GASA, Costa Pinto, Rafard, Tarumã and Maracaí mills. By the end of 2012, all these projects will have received R\$2.2 billion in investments, out of which approximately R\$1.5 billion have already been invested. We have obtained from BNDES financing of R\$1.5 billion of this total.

Cosan has already won bids in seven government energy auctions and entered into five bilateral contracts to sell, during the next 15 years, 2.500 GWh/year to the Brazilian electricity grid. We expect that four of our mills will start delivering in fiscal year 2011 energy to the grid.

Strategic Acquisitions along the Business Chain

We invested approximately US\$1.0 billion in strategic acquisitions along the business chain in the past year. We have added fuel distribution operations through the acquisition of downstream assets of ExxonMobil in Brazil and taken equity stakes in Radar, a newly incorporated land development company, Rumo Logística, a new sugar logistics company, and Uniduto, a newly incorporated company that is exploring an ethanol pipeline project in the central-south region of Brazil. In November 2007, we acquired 50% interest in Vertical UK LLP, a leading ethanol trading company.

On December 1, 2008, Cosan acquired 100% of the capital of Essobras (now CCL) and certain affiliates, marketers and distributors of fuel and lubricants in the Brazilian retail and wholesale markets as well as aviation fuel supply from Exxon. On May 2009, we sold the aviation fuel business to Shell for US\$59.2 million, aligned with our strategy of focusing on our core businesses.

On June 18, 2009, Cosan acquired 100% of the outstanding shares of Curupay, the parent company of Nova América and controlling shareholder of other assets related to trading, logistics and industrial production of sugar and ethanol and energy co-generation. Nova América is a producer of sugar, ethanol and energy co-generation which also operates in trading and logistics. The assets acquired include the non-controlling interest in Novo Rumo representing 28.82% of its outstanding shares which were issued in the Teaçú acquisition, and 100% of the outstanding shares of two operating companies, Nova América S.A. Trading and Nova América S.A. Agroenergia, and the “União” brand, which is the leading sugar brand in Brazil. Nova América is a producer of sugar, ethanol and energy co-generation and also operates in trading and logistics. We are now focused on the integration of these assets and extraction of synergies, however we will continue to analyze opportunities to grow organically or through strategic acquisitions and partnerships.

On August 25, 2010, we entered into definitive agreements for the creation of a joint venture with Shell to combine certain assets. See “—Acquisitions, Partnerships and Corporate Restructurings.”

B. Business Overview

We are a leading global ethanol and sugar company in terms of production with low-cost, large-scale and integrated operations in Brazil. Our production is based on sugarcane, a competitive and viable feedstock for ethanol, sugar and energy because of its low production cost and high energy efficiency ratio relative to other ethanol sources, such as corn and sugar beet. We believe that we are:

Sugar and Ethanol

- **Sugarcane:** the largest grower and processor of sugarcane in the world, having crushed 50.3 million tons in fiscal year 2010 (of which 46.6% came from our own sugarcane and 53.4% came from suppliers), 43.2 million tons in transition fiscal year 2009 and 40.3 million tons in fiscal year 2008;
- **Ethanol:** the largest ethanol producer in Brazil and the fifth largest in the world, having produced 484.5 million gallons (1.8 billion liters) in fiscal year 2010, 441.2 million gallons (1.7 billion liters) in transition fiscal year 2009 and 402.8 million gallons (1.5 billion liters) in fiscal year 2008, and the largest exporter of ethanol in the world, having exported 155.3 million gallons (587.9 million liters) in fiscal year 2010, 120.4 million gallons (456.4 million liters) in transition fiscal year 2009 and 107.4 million gallons (406.5 million liters) in fiscal year 2008;
- **Sugar:** the largest sugar producer in Brazil and the third largest sugar producer in the world, having produced 3.5 million tons in fiscal year 2010, 3.2 million tons in transition fiscal year 2009 and 3.1 million tons in fiscal year 2008, and the largest exporter of sugar in the world, having exported 3.1 million tons in 2010, 2.7 million tons in transition fiscal year 2009 and 2.6 million tons in fiscal year 2008;
- **Energy Co-generation:** the world’s largest producer of energy from sugarcane bagasse. We currently have an installed energy capacity of 860 MW per year from our 23 plants, out of which six delivered energy to the grid in fiscal year 2010. Six additional energy co-generation projects will come online between 2010 and 2012. We estimate that by 2012 we will have a total installed energy capacity of 1,213 MW, out of which 869 MW will be from plants that will sell energy. We see co-generation of energy as strategic in our business as it allows for a more stable cash flow stream across commodity cycles, significantly reducing the volatility of our operations; and
- **Land Portfolio:** the largest landowner in Brazil, with a portfolio of 153,205 acres, comprised of 31,560 acres of land harvested for grains and 121,645 acres harvested for sugarcane. Radar land portfolio is valued at US\$402 million. In fiscal year 2010, Radar recorded US\$14.5 million in lease revenues.

Fuel Distribution and Lubricants

- ***Fuel Marketing and Lubricants:*** a leading fuel distributor in Brazil with an estimated 5.3% market share in terms of volume sold in 2009, according to ANP. In fiscal year 2010, we recorded sales of 5.5 billion liters of fuels, principally gasoline, ethanol, diesel and fuel oil, as compared to 1.7 billion liters in transition fiscal year 2009 and 4.6 billion liters of fuels in 2008. We have a strong market presence in the South and Southeast regions of Brazil, where our fuel sales amounted to 2.4 billion liters (9.9% market share compared to the Sindicom companies) and 1.0 billion liters (10.2% market share compared to the Sindicom companies) in fiscal year 2010, respectively, as compared to 1.1 billion liters (6.6% market share) and 3.1 billion liters (6.4% market share) in 2008, respectively, according to Sindicom. The Southeast and South regions are the largest markets in Brazil, accounting for 49.0% and 20.3% in fiscal year 2010, respectively, of the Brazilian fuel market in terms of volume sold through Sindicom as compared to 49.6% and 17.3% in 2008, respectively, according to Sindicom. Following the consummation of the joint venture with Shell, we will be the third largest fuel distributor in Brazil. As of May 2010, we are the third largest lubricant player in Brazil. We sell passenger vehicle lubricants, commercial vehicle lubricants and industrial lubricants under the “Mobil” and “Esso” brands, among others, both of which are licensed to us until 2018 by ExxonMobil;

Sugar Logistics

- ***Logistics operations:*** the owner of the largest bulk sugar port terminal in the world with a current annual loading capacity of 10 million tons. We loaded 8.1 million tons in fiscal year 2010, generating net sales of US\$76.1 million. We also started to provide transportation services for sugar through road and rail, which generated net revenues of US\$8.6 million in fiscal year 2010. We expect Rumo Logística to become more significant over the next few years, as the transportation services started only recently in the last quarter of fiscal year 2010.

For our operations, other than our fuels marketing & lubricants, we operated 21 mills, two greenfields (Jataí and Caarapó that started operating in the end of this fiscal year), four refineries, two port facilities and numerous warehouses, as of March 31, 2010. All of these facilities are located in the Center-South region of Brazil, which is one of the world’s most productive sugarcane regions primarily because of its favorable soil, topography and climate, nearby research and development organizations and infrastructure facilities.

Competitive Strengths

We believe that, as a low-cost, large-scale producer with well-established integrated operations and long-standing relationships with key customers and suppliers, we can capitalize on the favorable trends in the ethanol and sugar industries—particularly, in light of our competitive strengths:

Low-cost producer

Our existing mills and other facilities are strategically located in the Center-South region of Brazil. Our operations also are in close proximity to our customers, sugarcane fields owned by us and growers, port terminals and other transportation infrastructure and warehouses. These factors help us to manage our operating costs. Increasing mechanization in our agricultural processes and improvements in industrial operations, combined with our energy self-sufficiency, should allow us to continue to lower our operating costs.

Leading market position

Our market position as one of the largest global producers and exporters of ethanol and sugar provides us with competitive advantages over our main competitors, particularly in terms of cost-efficiencies, higher pricing power and integrated logistics. We also believe we have the largest sugarcane crushing capacity in Brazil, as our production is approximately three times greater than that of the second largest Brazilian producer. We are focused on increasing our production capacity and maintaining our market leadership

through expansion of existing facilities, development of greenfield projects and, as opportunities present themselves, acquisitions.

Moreover, our market position in Brazil as the fourth largest distributor of fuel products provides us with competitive advantages. Our retail station network is supported by an efficient logistics and distribution network. We have a 5.3% market share of the Brazilian fuel distribution market and approximate 11.4% market share of the Brazilian lubricants market. The large scale of our operations provides us with competitive advantages, principally meaningful cost-efficiencies and integrated logistics. Additionally, our retail station network, strategically concentrated in urban areas of higher population density and thus higher throughput per station, cannot be easily replicated by competitors without significant capital investments in brand conversion. We believe that the “Esso” brand is associated with high quality and reputation, differentiating our company from other fuel retailers.

Integrated platform

We are engaged in both the agricultural, land development, and industrial aspects of ethanol and sugar production. We purchase as well as cultivate, harvest and process sugarcane. We produce approximately 45% of our sugarcane requirements on owned and leased land and purchase most of the remaining 55% mainly from third parties under long-term contracts. These contracts incorporate ethanol and sugar-linked purchase price provisions, which provide us with a natural hedge and mitigate the risk of potential margin compression. We also produce our own energy which lowers our energy costs and reduces our dependence on third parties. In addition, we own a sugar terminal and a stake in an ethanol terminal, both in the Port of Santos, the largest commercial port complex in South America, and numerous warehouses, which reduces our dependence on logistics services provided by third parties.

We also are a significant fuel distribution company in Brazil. Therefore, we have a fully integrated platform from sugarcane plantation to retail fuel distribution. We will continue supplying ethanol to a diversified base of clients, and CCL will continue purchasing ethanol from multiple suppliers. As a result, we benefit from superior visibility on price formation, allowing us to better manage our inventory levels, with regard to ethanol and indirectly gasoline. In addition, a vertically integrated platform secures ethanol supply and optimizes our logistical, distribution and storage activities, saving storage and transportation costs. We believe we are in a unique position to anticipate market dynamics and increase our participation in the ethanol distribution market.

Innovative approach to business

Our acquisition of CCL has allowed us to directly expand into fuel distribution, and will lead to a more vertically integrated Cosan. With this acquisition, Cosan expands its business model to become the first integrated renewable energy company in Brazil, with operations ranging from sugarcane cultivation to fuel distribution and sales in the retail market.

We develop innovative products, production techniques and distribution methods to ensure that we continue to be at the forefront of technological improvements and standards in our industry. For example, we monitor the development of our crops by satellite and have also introduced innovative distribution methods to the Brazilian ethanol and sugar industry. We have established research and development partnerships with leading Brazilian institutions which resulted not only in new sugarcane varieties with higher sucrose content but also in implementing new techniques, such as agricultural and industrial yield improvements, new planting methods and genetic engineering improvements.

Strategic business relationships

We have developed important strategic relationships in our business, including the Kuok Group (one of the largest agricultural-focused conglomerates in Asia) and Sucre et Denrées, or “Sucden” (one of the two largest sugar trading companies in the world). Both the Kuok Group and Sucden are current shareholders of Cosan. We have also developed strong business relationships with some of our leading customers, such as

Petrobras Distribuidora S.A. and Shell Brasil Ltda. in the ethanol business and Sucden, Tate & Lyle International and Coimex Trading Ltd. in the sugar business.

Production flexibility

We produce virtually every type of ethanol and sugar consumed in the Brazilian and international markets. Our facilities allow us to adjust our production (within certain capacity limits) between ethanol and sugar, as well as between different types of ethanol and sugar, to respond promptly to changes in customer demand and market prices at any point during the crushing process.

Strategically located operations and significant geographic overlap with Cosan mills

Our fuel distribution terminals are strategically located near major fuel product markets and our mills, thus improving delivery times, increasing operating efficiencies, facilitating response to shifts in demand, fulfilling orders and reducing costs. Additionally, we have a pier facility available for importing raw material, which gives us operational flexibility and a significant competitive advantage since we can arbitrage raw material prices. Upon receipt of ANP approval, we plan to use our fuel distribution terminals and fuel tanks to further maximize logistic gains and reduce our operating costs.

Experienced and professional management team

Our management team has considerable industry experience and knowledge. In addition, unlike many of our local competitors in the sugar and ethanol business, we have completed the shift from a family-operated business to a company managed by professionals with significant experience in the sugar and ethanol industries. Our fuel distribution and lubricants business is led by a management team with a proven track record in the fuel distribution and lubricant markets.

Our Strategy

Our overall objective is to achieve sustainable and profitable growth, further reduce our operating costs and build on our competitive strengths in order to expand our leadership to become a global company with a worldwide platform in the ethanol and sugar markets. The principal components of our strategy are to:

Enhance our leadership position in the Brazilian and global ethanol and sugar markets and increase our market share in the fuel distribution and lubricants business

We expect to take advantage of future export opportunities likely to emerge from the liberalization of trade barriers that traditionally limited our access to some major markets, as well as mandatory blending requirements to use ethanol as an additive to gasoline. We intend to establish new commercial and distribution partnerships with international industry players to expand and diversify our client base. We closely monitor developments in the Brazilian and global ethanol and sugar industries and will continue to pursue selective acquisitions and partnerships in Brazil and internationally. We also intend to continue to expand our existing facilities and build additional large-scale facilities, featuring technology improvements and enhanced logistics.

The majority of our new retail stations will be added in the Southeast region of Brazil, which has higher exposure to gasoline and ethanol consumption and offers higher synergies with Cosan and our logistics infrastructure.

Capitalize on further integration with our business.

With the acquisition of CCL, we formed a fully integrated platform from sugarcane plantation to retail fuel distribution. The scale and integration advantages provide us with logistic synergies and unique market intelligence. We plan to improve our inventory and storage management to deliver ethanol through our retail fuel distribution network, by efficient use of our fuel tanks and the building of new distribution terminals near or at our mills.

Take advantage of the fast-growing ethanol demand.

Ethanol has become the most used fuel within the passenger vehicle industry in Brazil. According to ANP, demand for ethanol exceeded gasoline in 2008 due to the anhydrous ethanol blended gasoline. The increase in ethanol sales in Brazil has been supported by the increase in flex-fuel cars sold in Brazil. In fiscal year 2010, flex-fuel car sales accounted for 88% of total new vehicle sales in Brazil, according to ANFAVEA. We plan to increase our presence in the Brazilian ethanol market and take advantage of the fragmentation in the supply of ethanol where we are the largest player and account for approximately 7.5% of the market. We believe we are well positioned to benefit from increasing ethanol demand, since our vertical integration with CCL optimizes our logistical, distribution and inventory management capabilities.

Continue to realize operating efficiencies and margins

We are seeking to further improve the efficiency and productivity gains of our operations through investments in the development of new varieties of sugarcane, more efficient agricultural, industrial and logistic processes, expanded satellite monitoring of sugarcane development in the region, increased mechanization of harvests, emphasis on employee training programs and improvements in information flows and internal control systems.

We will continue to focus on improving the efficiency of our operations in the fuel distribution and lubricants business by focusing on three key areas: (1) exploring synergies among our business units, (2) maximizing the utilization of our retail stations and (3) focusing on the highest-value lubricant products. Our vertical integration, combining market intelligence, production and distribution strategies, will allow for synergies in logistics and acquiring ethanol, further reducing our costs by means of inventory optimization, transportation efficiencies and infrastructure rationalization. We continuously monitor the profitability and use of each service station in the retail network and eliminate underperforming sites, particularly in regions we consider less strategic. We will also continue to focus on high-grading our lubricant product mix and distributor network to be more heavily weighted towards higher margin products. In 2009, our premium, higher margin products represented approximately 72% of our lubricant volume sold, an increase of approximately eight percentage points from approximately 64% in 2008. In addition, we have also re-channelled our sales directly through 15 well-established, exclusive high-grade distributors.

Continue increasing sales of premium lubricants products

Sales of premium products, such as synthetic lubricants (i.e., Mobil 1 RACING 2T and Mobilith SHC 007), represented approximately 72% of our total lubricant volume sold in calendar year 2009, a significant increase compared to approximately 64% in 2008. We plan to continue improving our product mix and margins by focusing on premium high margin products. We plan to continue investing in marketing, training our employees and exclusive distributors, developing new innovative products and delivering superior services.

Increase investments in cogeneration

We are self-sufficient in energy by generating our own electricity through the burning of sugarcane bagasse in boilers. Our current total installed capacity of cogeneration energy is approximately 860MW from our 23 plants. In 2003, we built a successful pilot cogeneration plant at one of our mills, from which we sell surplus energy to Companhia Paulista de Força e Luz - CPFL, one of the largest electric power distributors in the State of São Paulo. We sell energy through bilateral contracts (we currently have contracts with CPFL and Grupo Rede) and through energy auctions promoted by the government, having participated in three auctions of "new energy" in 2005, 2006 and 2008. Currently, we plan to invest in our 10 mills and two greenfield projects, out of our 23 producing units, that have already settled contracts to sell energy to third parties. These investments would sum approximately US\$1.2 billion and would allow Cosan to sell approximately 2,500 GWh per year. We believe that energy sales will represent a significant source of additional and stable cash flow.

Maintain capital investments discipline

We continue to take a disciplined and long-term approach to investments in order to sustain our returns. Our capital investments for the fuel distribution business unit include projects to further optimize our distribution terminals, further upgrade safety systems and lower operating costs. Investments aimed at increasing our distribution capacity will focus on supporting the expansion of our DODO Esso-branded station network in the Southeast region of Brazil intended to generate attractive returns, taking advantage of our existing distribution network and leveraging the closeness of Cosan's mills.

Focus on environmental and social awareness

We plan to increase investments in the mechanization of our harvests, which not only is cost-efficient in the long-term but also will reduce our emission levels and decrease burning of sugarcane fields for manual harvesting. We continue to improve and develop new training programs for our employees, as well as programs to reduce workforce accidents.

We lead the Brazilian fuel industry with our low incident rate of work related injuries and illnesses. We will continuously work to improve the safety and health of our employees and contractors and our environmental and social awareness. We will continue to train our employees on effective safety, security, health and environmental leadership. We will continuously seek environmental best practices, benchmark technologies and clean operations, to sustain our best-in-class results and strengthen our relationship and cooperation with local environmental authorities and agencies.

Operations

Sugar and Ethanol segment

Sugarcane is the principal raw material used in the production of ethanol and sugar. Sugarcane 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 soil, topography, climate and land availability of the Center-South region of Brazil are ideal for the growth of sugarcane. The Center-South region of Brazil accounted for approximately 86.9% of Brazil's sugarcane production in the 2009/2010 harvest.

As of March 31, 2010 we leased 437,698 hectares, through 2,128 land lease contracts with an average term of five years. Six of these contracts (covering 30,260 hectares, or 7.6% of the land leased by us) are entities controlled by our chairman and controlling shareholder under arms-length terms. In accordance with these 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. In fiscal year 2008, we paid an average of 16.9 tons of sugarcane per hectare, and an average of 122.8 kilograms of TSR per ton of sugarcane, at an average cost of US\$0.2987 million per kilogram of TSR under our land lease contracts. In transition fiscal year 2009, we paid an average of 17.2 tons of sugarcane per hectare, and an average of 121.6 kilograms of TSR per ton of sugarcane, at an average cost of US\$0.1461 million per kilogram of TSR under our land lease contracts. In fiscal year 2010, we paid an average of 17.52 tons of sugarcane per hectare, at an average cost of US\$0.1751 per kilogram of TSR under our land lease contracts. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Recurring Transactions with Shareholders."

We also purchase sugarcane directly from thousands of third-party sugarcane growers. Of our sugarcane purchases from third-party growers, we historically have purchased approximately 80% through medium- and long-term contracts with sugarcane producers, 5% on a spot basis and the remaining 15% from sugarcane producers with whom we have long-term relationships but no contractual arrangements. We generally enter into medium- and long-term contracts for periods varying from three and a half to seven years. All of our

third-party sugarcane suppliers are responsible for the harvest of the sugarcane and its delivery to our mills. 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.

We harvested from owned or leased lands 46.6%, or 23.4 million tons, of the sugarcane that we crushed in fiscal year 2010, and purchased from third-party growers the remaining 26.9 million tons of sugarcane, or 53.4% of the total amount of sugarcane that we crushed in fiscal year 2010. The following table compares the amount of sugarcane grown on owned or leased land with the amount purchased from third parties during the last three fiscal years.

| | For Fiscal Year Ended March 31, | | For Eleven Months Ended March 31, | | For Fiscal Years Ended April 30, | |
|---|------------------------------------|-------|--------------------------------------|-------|-------------------------------------|-------|
| | 2010 | % | 2009 | % | 2008 | % |
| (In millions of tons, except percentages) | | | | | | |
| Sugarcane harvested from owned/leased land..... | 23.4 | 46.6 | 22.7 | 53.0 | 22.3 | 56.0 |
| Sugarcane purchased from third-parties..... | 26.9 | 53.4 | 20.4 | 47.0 | 18.0 | 44.0 |
| Total..... | 50.3 | 100.0 | 43.1 | 100.0 | 40.3 | 100.0 |

Sugarcane Harvesting Cycle

The annual sugarcane harvesting period in the Center-South region of Brazil begins annually in May and ends in November. We plant several species of sugarcane, and the species we use in a particular area depends on the soil quality, rain levels and the resistance to certain types of pestilences, among other factors. Once planted, sugarcane is harvested each year for several continuous years. With each subsequent harvest, agricultural yields decrease, and the current optimum economic cycle is five or six consecutive harvests. However, the harvests must be carefully managed in order to continue to attain sugar yields similar to the newly-planted crop.

Ideally, the sugarcane should be harvested when the crop's sucrose content is at its highest level. Harvesting is either done manually or mechanically. As of March 31, 2010, 35.5% of our sugarcane is harvested manually. Manual harvesting begins by burning the sugarcane field, which removes leaves and destroys insects and other pests. The amount of the crop that we may burn is subject to environmental regulations. The remaining 64.5% of our sugarcane is harvested mechanically.

Sugarcane yield is an important productivity measure for our harvesting operations. Geographical factors, such as land composition, topography and climate, as well as the agricultural techniques that we implement, affect our sugarcane yield. Although our agricultural yields are above the average Brazilian yields, we believe that by reducing the average age of our sugarcane fields and choosing new sugarcane varieties, our agricultural yields may continue to increase.

In fiscal year 2010, our accumulated sugar extraction was 129.8 kilograms of TSR per ton of sugarcane and our agricultural yield was 91.4 tons of sugarcane per hectare, compared to our average sugar extraction yield of 139.0 kilograms of TSR per ton of sugarcane and 91.0 tons of sugarcane per hectare in transition fiscal year 2009, and 142.5 kilograms of TSR per ton of sugarcane and 84.4 tons of sugarcane per hectare in fiscal year 2008.

The average Brazilian sugar extraction yield for the 2009/2010 harvest was 130.68 kilograms of TSR per ton of sugarcane and the agricultural yield was 82.1 per hectare. The average Center-South sugar extraction yield for the last five years was 141.2 kilograms of TSR per ton of sugarcane and 84.0 tons of sugarcane per hectare. The average Brazilian sugar extraction yield for the 2008/2009 harvest was 140.2 kilograms of TSR per ton of sugarcane and the agricultural yield was 82.3 tons of sugarcane per hectare. The average sugar extraction yield in the State of São Paulo for the 2007/2008 harvest was 142.5 kilograms of TSR per ton of sugarcane and 90.8 tons of sugarcane per hectare. The average sugar extraction yield in the State of São Paulo

for the last five years was 144.6 kilograms of TSR per ton of sugarcane and 87.8 tons of sugarcane per hectare.

Milling Facilities

Once the sugarcane is harvested, it is loaded onto trucks and riverboats owned by third parties and transported to one of our 23 mills for inspection and weighing. The average distance from the fields on which our sugarcane is harvested to our mills is approximately 24 kilometers (or approximately 15 miles). The proximity of our milling facilities to the land on which we cultivate sugarcane reduces our transportation costs and enables us to process the sugarcane within up to 48 hours of harvesting, thereby maximizing sucrose recovery as sucrose concentration in sugarcane starts to decrease upon harvesting. Currently our average sugarcane freight cost is US\$3.14 per ton of sugarcane.

In fiscal year 2010, we crushed 50.3 million tons of sugarcane, or approximately 8.4% of Brazil's total sugarcane production. In transition fiscal year 2009, we crushed 43.1 million tons of sugarcane, or approximately 7.6% of Brazil's total sugarcane production. In fiscal year 2008, we crushed 40.3 million tons of sugarcane, or approximately 8.2% of Brazil's total sugarcane production. Currently, we operate a total of 23 milling facilities, 21 of which we own and two of which we lease, with approximately 60 million tons of crushing capacity. Our Da Barra mill has the world's second largest crushing capacity (approximately 7 million tons). twenty of our mills are prepared to produce both sugar and ethanol and the other two prepare only sugar. Jataí, our greenfield, produces ethanol only. We also own four sugar refineries and four packaging facilities.

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.

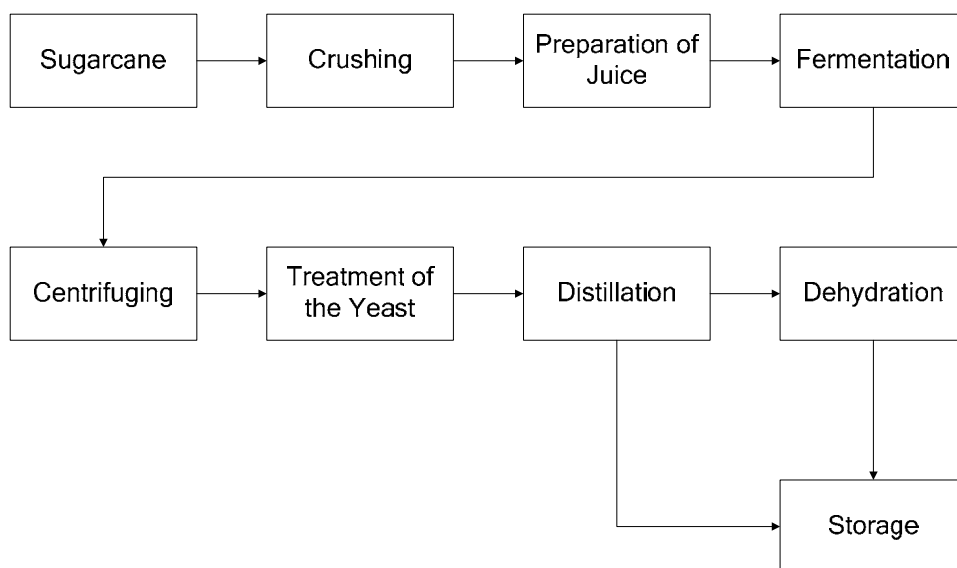
The ethanol production flow can be summarized as follows:

- *Preparation of the juice.* The fermentation is fed with a juice composed by approximately 20% of sugar, which is prepared with juice (from the treatment), molasses (from sugar production) and water. This juice must be cooled to approximately 30°C.
- *Fermentation.* The fermentation of the juice is the result of the action of yeast, which firstly inverts the sucrose to glucose and fructose (monosaccharide), and then converts the monosaccharide into ethanol and carbon dioxide. This reaction occurs in a fermenter, which is fed with juice and yeast.
- *Centrifuging.* After the fermentation, the resulting product is carried to centrifuges that separate the yeast from the beer, a solution of approximately 9%v/v (oGL) of ethanol.
- *Treatment of the yeast.* The yeast that comes from the centrifuges is treated with sulfuric acid and returned to the fermenter tank to be utilized again.
- *Distillation.* The beer is distilled in a sequence of distillation columns, which separate the water from the ethanol. This process occurs basically due to the differences of ethanol's and water's ebullition

temperatures. In order to produce hydrous ethanol, two columns are used to achieve the concentration of 94%v/v (oGL) ethanol. From the first column, a slop called vinasse is obtained, which is used as a fertilizer in the sugarcane fields.

- *Dehydration.* In order to produce anhydrous ethanol, two more columns are used to achieve the concentration of 99%v/v (oGL) ethanol. In the first column, the excess of water is separated with the aid of cycle-hexane.

The following diagram presents a schematic summary of the above-described ethanol production flow:



Production Capacity and Output

Our current annual ethanol production capacity is approximately 660 million gallons (2.5 billion liters). All of our mills produce ethanol except for the São Francisco and Bonfim mills. We were the largest producer of ethanol in Brazil in fiscal year 2008, transition fiscal year 2009 and fiscal year 2010, producing approximately 326.7 million gallons (1.2 billion liters) of ethanol, representing approximately 402.8 million gallons (1.5 billion liters) of ethanol, representing approximately 7% of Brazil's total ethanol production in fiscal year 2008, approximately 446.0 millions gallons (1.7 billion liters) of ethanol, representing approximately 6% of Brazil total ethanol production in transition fiscal year 2009 and approximately 484.5 million gallons (1.8 billion liters) of ethanol, representing approximately 7% of Brazil's total ethanol production in fiscal year 2010.

Products

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 ethanol-only fueled vehicles and for flex fuel vehicles (as opposed to anhydrous ethanol which is used as an additive to gasoline). As a result, hydrous ethanol represented approximately 51% of our ethanol production in fiscal year 2008, 57% in transition fiscal year 2009 and 66% in fiscal year 2010.

Customers

We sell ethanol primarily through gasoline distributors in Brazil mainly at the mill that sell it to retailers that then sell it at the pump to customers. The distributors are required by law to distribute gasoline with an ethanol content ranging from 20% to 25%. Since July 1, 2007, the required ethanol content for gasoline has been set at 25%. In January 2010, the Brazilian government temporarily reduced the ratio of anhydrous

ethanol in the C gasoline blend to 20% during the months of February, March and April 2010, seeking to minimize the impact of the lower ethanol supply in this period of inter-harvest. The main distributors in Brazil include Petrobras Distribuidora S.A., Shell Brasil Ltda., Esso Brasileira de Petróleo Ltda. (whom we have acquired), and Cia. Brasileira de Petróleo Ipiranga which has recently acquired Texaco Brasil Ltda. Produtos de Petróleo, among others smaller distributors. We also sell industrial alcohol, which is used in the chemical and pharmaceutical sectors. In fiscal year 2008, transition fiscal year 2009 and fiscal year 2010, our largest ethanol customer was Shell Brasil Ltda., accounting for 14.8%, 20.1% and 23.0% of our total ethanol net sales, respectively. Pricing is based on the ESALQ index and payment generally occurs within 12 days from delivery. We sell our surplus in Brazil on a spot basis.

In fiscal year 2010, we exported 27.4%, by volume, of the ethanol we sold, which consisted primarily of refined hydrous ethanol for industrial purposes, compared to 30.5% in transition fiscal year 2009, 26.4% in fiscal year 2008. Our main customers are trading companies, which distribute our products mainly to the United States, Japan and Europe. The table below sets forth customers that represent more than 5% of our ethanol net sales.

| Market | Customer | % of Net Sales Fiscal Year Ended March 31, 2010 |
|---------------|------------------------------------|---|
| International | Vertical UK LLP. | 8.6 |
| Domestic | Petrobras Distribuidora S.A. | 20.3 |
| | Ipiranga Prod Petróleo S.A. | 18.7 |
| | Shell Brasil Ltda. | 16.4 |
| | Euro Petróleo do Brasil Ltda. | 8.0 |

Sales and Distribution

In fiscal year 2010 our net sales from ethanol operations were US\$936 million or 11.4% of our total net sales, compared to net sales of US\$548.7 million in transition fiscal year 2009, or 18.7% of our total net sales in that year, and net sales of US\$604.7 million in fiscal year 2008, or 40.5% of our total net sales in that year.

The following table sets forth our domestic net sales and volumes of ethanol for the periods indicated:

| | For Fiscal Year Ended March 31, 2010 | For Eleven Months Ended March 31, 2009 | For Fiscal Year Ended April 30, 2008 |
|--|---|--|--------------------------------------|
| | Domestic net sales (in millions of US\$)..... | US\$ 710.5 | US\$ 361.6 |
| % of total net sales | 8.6 | 12.4 | 29.4 |
| Domestic sales volume (in millions of liters)..... | 1,559.7 | 1,038.7 | 1,130.6 |
| % of total ethanol sales volume..... | 72.6 | 69.5 | 73.6 |

The following table sets forth our export net sales and volumes of ethanol for the periods indicated:

| | For Fiscal Year Ended March 31, 2010 | For Eleven Months Ended March 31, 2009 | For Fiscal Year Ended April 30, 2008 |
|---|---|--|--------------------------------------|
| | Export net sales (in millions of US\$)..... | US\$ 226.0 | US\$ 187.1 |
| % of total net sales | 2.8 | 6.4 | 11.1 |
| Export sales volume (in millions of liters) | 587.9 | 456.4 | 406.5 |
| % of total sales volume | 27.4 | 30.5 | 26.4 |

Although we primarily sell ethanol in Brazil, we believe that the international ethanol market has a strong potential to expand substantially. The global trend toward adoption of cleaner-burning fuel and renewable sources of energy and alternative fuels, the tendency to reduce reliance on oil producing countries and the increasing use of flex fuel cars are expected to increase the demand for ethanol. Broader international acceptance of ethanol as a fuel or fuel additive could boost our exports of ethanol significantly.

The majority of our ethanol customers in Brazil receive shipments of ethanol at our mills. In fiscal year 2010, we distributed, through third parties, approximately 16% of our ethanol production in Brazil. We transport the ethanol that we produce for export to the Port of Santos primarily through third-party trucking companies.

Ethanol Prices

The price of ethanol we sell in Brazil is set according to market prices, using the indices for ethanol published by ESALQ and BM&FBOVESPA, indices for ethanol as a reference. The prices of the industrial and neutral ethanol (a type of ethanol which has low impurity levels and is used as a raw material in the food, chemical and pharmaceutical industries) that we sell are also determined in accordance with market prices, which historically has been approximately 10% higher than the price of fuel ethanol. Prices of ethanol for export are set according to international market prices for ethanol. The international ethanol market is highly competitive. In May 2004, the New York Board of Trade began trading a futures contract for ethanol, known as the World Ethanol Contract.

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

| | For Fiscal Year Ended March 31, | For Eleven Months Ended March 31, | For Fiscal Year Ended April 30, |
|---|--|--|--|
| | 2010 | 2009 | 2008 |
| Brazilian average ethanol selling price | US\$ 384.4 | US\$ 348.1 | US\$ 394.5 |
| Export average ethanol selling price | 455.5 | 409.9 | 503.5 |
| Average ethanol selling price..... | US\$ 436.1 | US\$ 367.0 | US\$ 417.1 |

Ethanol Loading Terminal at the Port of Santos

On March 31, 2010 we owned a 66.67% interest in TEAS, an ethanol loading terminal at the Port of Santos, fully dedicated to ethanol exports that has a storage capacity of approximately 10.6 million gallons (40 million liters) of ethanol and loading rate of approximately 960,000 m3 per year.

Sugar

Sugar Production Process

There are essentially three steps in the sugar manufacturing process. First, we crush the sugarcane to extract the sugarcane juice. We then filter the juice to remove any impurities and boil it until the sugar crystallizes, forming a thick syrup. We use these impurities as fertilizer in our sugarcane fields. Lastly, we spin the syrup in a centrifuge which produces raw sugar and molasses. The raw sugar is refined, dried and packaged at our sugar refineries. We use the molasses in our production of ethanol, animal feed and yeast, among other products.

Production Capacity and Output

In fiscal year 2008, we sold 3.1 million tons of sugar, representing 11.8% of Brazil's total sugar production output. In transition fiscal year 2009, we sold 3.1 million tons of sugar, representing 10.2% of Brazil's total sugar production output. In fiscal year 2010, we sold 4.1 million tons of sugar, representing 12.5% of Brazil's total sugar production output.

As the production capacity of our mills is used for both ethanol and sugar, if we had produced only sugar (one ton of VHP sugar is equivalent to approximately 156 gallons (592 liters) of anhydrous ethanol and 163 gallons (618 liters) of hydrous ethanol), our sugar production for fiscal year 2008, transition fiscal year 2009 and fiscal year 2010 would have been approximately 5.2 million tons, approximately 5.7 million tons, approximately 5.9 million tons, and approximately 6.5 million tons, respectively, which would have made us the second largest sugar producer in fiscal year 2008 and the largest world sugar producer in transition fiscal year 2009 and fiscal year 2010.

Products

We produce a wide variety of standard sugars, including raw sugar (also known as 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. Currently, almost all of our mills produce standard ethanol and sugar, other than the São Francisco and Tamoio mills that only produce sugar and the Jataí mill, which produces only ethanol. The São Francisco mill and the Da Barra mill are our mills that produce refined sugar. The “Da Barra” brand is the second largest in the Brazilian market in terms of volume and, after Nova América’s acquisition, we also sell sugar under the União brand, which is the largest in the Brazilian market in terms of volume.

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.

Customers

We sell sugar to a wide range of customers in Brazil and in the international markets. We primarily sell raw sugar in the international markets through international commodities trading firms and Brazilian trading companies. Our customers in Brazil include retail supermarkets, foodservice distributors and food manufacturers, for which we primarily sell refined and liquid sugar. The table below sets forth customers that represent more than 4% of our sugar net sales.

| <u>Market</u> | <u>Customer</u> | <u>% of Net Sales For Fiscal Year Ended March 31, 2010</u> |
|---------------|---------------------------------|--|
| International | Sucres et Denrées | 14 |
| | Coimex Trading Ltd./ | 5 |
| | Tate & Lyle International | 4 |
| | Cargill International S.A. | 4 |

For the Brazilian market, we sell sugar to a broad and consistent client base but we do not commit to set volumes or prices in advance.

Sales and Distribution

The following table sets forth our export sales and volumes of sugar for the periods indicated:

| | <u>For Fiscal Year Ended March 31,</u> | <u>For Eleven Months Ended March 31,</u> | <u>For Fiscal Year Ended April 30,</u> |
|---|--|--|--|
| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| Export net sales (in millions of US\$) | US\$ 1,240.8 | US\$ 734.0 | US\$ 649.8 |
| % of total net sales | 15.1 | 25.1 | 43.6 |
| Export sales volumes (in thousands of tons) | 3,079.9 | 2,693.2 | 2,641.3 |
| % of total sales volume | 74.5 | 88.3 | 84.8 |

The following table sets forth our domestic net sales and volumes of sugar for the periods indicated:

| | <u>For Fiscal Year Ended March 31,</u> | <u>For Eleven Months Ended March 31,</u> | <u>For Fiscal Year Ended April 30,</u> |
|--|--|--|--|
| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| Domestic net sales (in millions of US\$)..... | US\$ 569.3 | US\$ 109.1 | US\$ 134.7 |
| % of total net sales | 6.9 | 3.7 | 9.0 |
| Domestic sales volumes (in thousands of tons)..... | 1,054.7 | 358.5 | 473.1 |
| % of total sales volume | 25.5 | 11.7 | 15.2 |

We coordinate our Brazilian sugar distribution from our warehouses located in Barra Bonita, São Paulo and Cachoeirinha, all in the State of São Paulo. We also deliver sugar products to our customers in Brazil primarily via third-party trucking companies.

Sugar Prices

Prices for our sugar products for export are set in accordance with international market prices. Prices for raw sugar are established in accordance with the NY11 futures contracts. Prices for refined sugar are established in accordance with the Lon 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 Agriculture School of the University of São Paulo (*Escola Superior de Agricultura Luiz de Queiroz*), or “ESALQ”. The following table sets forth our average selling prices per ton in U.S. dollars for sugar in the Brazilian market and for export for the periods indicated:

| | | For Fiscal Year Ended March 31, | For Eleven Months Ended March 31, | For Fiscal Year Ended April 30, |
|--|------|--|--|--|
| | | 2010 | 2009 | 2008 |
| | | (US\$/ton) | | |
| Domestic average sugar selling price..... | US\$ | 539.7 | US\$ | 304.3 |
| Export average sugar selling price (raw and refined)..... | | 402.9 | | 272.5 |
| Average sugar selling price..... | US\$ | 437.8 | US\$ | 276.3 |
| | | | US\$ | 284.7 |
| | | | | 246.0 |
| | | | | 251.9 |

Sugar Loading Terminal at the Port of Santos

Our exports of VHP sugar are shipped through the sugar loading terminal operated by our subsidiary, Rumo Logística, at the Port of Santos, which is located an average distance of 600 kilometers (approximately 370 miles) from our mills. Our sugar-loading terminal is equipped with modern freight handling and shipment machinery. The close proximity of our mills to the port enables us to benefit from lower transportation costs.

Our sugar-loading terminal has the capacity to load approximately 50,000 tons of sugar per day, and to store approximately 380,000 tons of sugar. The port facility serves clients, including Cosan, EDF&Man, Sudden, Bunge, Coimex, Cargill, LDC Corp and Noble among others, with their transport and export of sugar and soy products. Pursuant to the Port Concession Agreement with the State of São Paulo's Port Authority, the concession granted to operate the south terminal (Cosan Portuária) will expire in 2036 and the concession granted to the north terminal (Teaçu), acquired in 2009, expires in 2016, and the renewal for an additional 20 years has already been requested.

In March 2009, Cosan, through its subsidiary Rumo Logística, entered into an agreement with América Latina Logística, or ALL, for the rail transportation of bulk sugar and other sugarcane by-products. The agreement envisages investments of approximately R\$1.2 billion by Rumo Logística, which we expect to raise through equity and debt at the subsidiary level. In exchange, ALL will guarantee a monthly volume to be transported by railroad, which will amount to approximately 11 million tons per year to the Port of Santos.

On July 2, 2010, we entered into a subscription agreement with investment vehicles controlled by TPG and Gávea, pursuant to which, upon the closing of the transaction contemplated thereunder, the investors agreed to make an equity investment in Rumo Logística, that shall be made by means of a capital increase in the total amount of R\$400 million (US\$224.9 million), to be paid by the investors in equal proportions.

The subscription agreement is subject to certain conditions precedent, which must be met by September 30, 2010. At the closing of the transaction, TPG and Gávea shall subscribe and pay for the common shares and enter into a shareholders' agreement. As of the date hereof, we hold, directly and indirectly, approximately 92.9% of the issued and outstanding capital stock of Novo Rumo, which, in turn, holds 99.9% of the issued and outstanding capital stock of Rumo Logística. Following the closing, Novo Rumo shall hold 75.0% and TPG and Gávea shall hold 25% of the issued and outstanding capital stock of Rumo Logística.

If there is no liquidity event, on the third anniversary of the closing of the transaction contemplated by the subscription agreement, TPG and Gávea shall have the right, during a 12-month period, to exchange the shares of Rumo Logística acquired pursuant to the subscription agreement for a total of 13,333,333 shares of common stock of Cosan at the price of R\$30.00 per share of common stock. After such period, the exchange rights will expire. However, investors would have the option to exchange their shares if a change in control occurred at the Cosan level or if there were a material breach of determined obligations set forth in Rumo Logística Shareholders Agreement, not related to its economic, financial and operational performance.

Fuel distribution and lubricants

Our acquisition of CCL has placed us among the largest fuel distribution companies in Brazil. We distribute fuel and produce and distribute lubricants through CCL.

Fuel Distribution

Our fuel distribution business consists of the sale of fuel gasoline and ethanol products through our branded retail stores and to wholesale distributors. We distribute ethanol, gasoline, diesel, NGV, kerosene and fuel oil. For fiscal year 2010, CCL's net revenue from sales and services from fuel distribution operations were US\$5.4 billion, or 66.2% of our total net revenue from sales and services.

We have a large, well-established distribution and logistics network to support our fuel marketing operations, with facilities strategically located in 20 states and concentrated near Brazil's major fuel markets. Our distribution network consists of 48 terminals – ten owned by us, four joint ventures operated by us, 15 joint venture operated by others and 19 terminals in which we have throughput arrangements. These terminals have a total static storage capacity of 720 million liters, of which 208 million liters corresponds to our exclusive capacity.

We believe our best-in-class performance in safety, health and environmental protection is comparable to the highest international standards adopted by our peers, based on a wide range of management systems we apply to ensure operations integrity, consistent procedures and optimal behavior awareness in all aspects of our business. Safety is a top priority in our distribution terminals, where we have had a record of more than ten years of accident-free operations. As a result, our distribution organization received the ExxonMobil's global Flawless Operations Award in each of the last five years, in recognition of our performance in safety, health and environment standards. In our logistic operations, our delivery vehicles (tank-trucks) traveled more than 19 million miles without an incident in 2010.

We purchase gasoline and diesel under contracts with Petrobras at set prices paid by us and our competitors. The terms of our supply agreements with Petrobras are for one-year terms. We purchase our ethanol from Cosan and other suppliers in the spot market and, to a lesser extent, under contracts. The price is dependent on the price of sugar and demand.

Retail Division

In the fiscal year ended March 31, 2010, we sold approximately 5.5 billion liters of fuels through a network of 1,710 Esso-branded retail stations. We have a five-year licensing agreement with ExxonMobil for the use of the "Esso" brand, expiring in 2013, renewable at ExxonMobil's sole discretion. We believe that the "Esso" brand is associated with a reputation for high quality, differentiating our company from certain other fuel retailers. We assist a majority of our independent dealers invest and improve their infrastructure through our market-assistance programs.

We believe that we are the second most efficient fuel distributor in Brazil among the five largest distributors measured by retail fuel volume sold per service station in 2008 and 2009, based on ANP data. We have an average throughput per Esso-branded retail station of 224,000 liters per month, well above the industry average of 154,000 liters per month. We believe that we achieved our high level of efficiency through a review of our retail network which we implemented over the last few years, resulting in the elimination of underperforming sites, particularly in less strategic areas.

Our retail network is concentrated in and around the most strategic Brazilian fuel markets. Approximately 56.1% and 17.7% of Esso-branded stations in Brazil are located in the Southeast and South regions of Brazil, respectively, reflecting a stronger presence in urban areas with higher population density. As a result, our exposure to passenger fuel such as gasoline and ethanol is higher than cargo fuels such as diesel. We believe that this is a key competitive advantage as passenger fuel has historically offered superior margins and growth compared to cargo fuels. Within our passenger fuels sales, our ethanol throughput per station offers significant growth potential compared to gasoline, a strategy we intend to intensely develop and build upon, particularly after being acquired by Cosan. In fiscal year 2010, gasoline, diesel and ethanol accounted for 33.9%, 46.4% and 14.6% respectively, of our volume sold, which totaled 5.5 billion liters. In transition year 2009, which included the consolidated financial data for CCL for only four months, gasoline,

diesel and ethanol accounted for 34.5%, 36.6% and 14.6%, respectively, of our volume sold, which totaled 1.7 billion liters.

We also have a significant presence in the convenience store market with 242 “Stop & Shop” and “Hungry Tiger” stores in Brazil, as of March 31, 2010. These are two of the leading brands in the Brazilian convenience store market with a combined revenue market share of 8.8% in 2008 and 8.8% in 2009 according to Sindicom. Our license for the use of these brands expires in 2013. In addition, our convenience store brands have the highest monthly revenue per store in Brazil according to Sindicom, having sold US\$32.6 thousand per store per month in 2007, well above the industry average of US\$21.4 thousand per store per month. In fiscal year 2010, we sold US\$17.8 thousand per store per month. We are not involved in the operation of the convenience stores. Instead, we are entitled to a start-up fee and to payments calculated as a percentage of convenience stores sales plus an amount for advertising expenses. In fiscal year 2010, we recorded consolidated net revenue from franchising fees from our convenience stores of US\$4.3 million.

Industrial & Wholesale Division

We are also an industrial and wholesale, or I&W, fuel distributor, with sales of 458 million liters of gasoline, diesel, fuel oil, ethanol and kerosene to our industrial and wholesale clients in 2008. Most of our sales are concentrated in diesel oil and gasoline. In 2008, diesel oil and gasoline accounted for 82.9% and 6.2% of our I&W volume, respectively. Most of our industrial and wholesale sales are through spot sales and short term contracts. We focus on high grade customers, such as large Brazilian corporations, as well as flag independent retailers and resellers.

Lubricants

The total Brazilian lubricants market by volume of liters sold in fiscal year ended March 31, 2010 was approximately 1.1 billion liters, according to Sindicom, ranking Brazil as the world's fifth largest lubricants market by volume. In fiscal year 2010, CCL sold a total of 130.8 million liters of lubricants corresponding to an estimated market share of 11.8%, according to Sindicom, making us the fifth largest lubricant player in Brazil. In transition year 2009, in which we only consolidated 4 months of CCL, we sold a total of 34.3 million liters of lubricants. We sell passenger vehicle lubricants, commercial vehicle lubricants and industrial lubricants under the “Mobil” and “Esso” brands, among others, both of which are licensed to us until 2018 by ExxonMobil. We use distributors and Esso-branded retail stations to sell our lubricants products, as well as direct sales to industrial customers. We capture significant synergies by selling to our retail service station network and I&W customer accounts.

Our Lubricants Distributor Program is recognized as a competitive advantage in the Brazilian market. Participating distributors can only sell Mobil and Esso lubricants and are currently limited to 15 with exclusive geographical coverage. An important differential is the common ERP system used by the distributors that interfaces with our SAP business software system. We believe that these characteristics make our distributors network unique, allowing us to launch new products and implement new programs with speed and flawless execution.

ExxonMobil is a leading brand in the lubricants industry, operating through global strategic alliances with automotive and industrial equipment manufactures, including Caterpillar, Mercedes-Benz, Peugeot and Toyota, collaborating to develop new formulations. We have a licensing agreement for our use of ExxonMobil's brands and formulations until 2018, renewable at ExxonMobil's sole discretion, which gives us access to ExxonMobil's leading technology and international feedstock supplies.

We have focused on high-grading our product mix to be more heavily weighted towards higher margin products. In 2003, we commenced a plan to focus on simplifying our product offering and supply chain, with a particular emphasis on high margin products such as synthetic lubricants (i.e., Mobil 1 RACING 2T and Mobilith SHC 007). In 2008, our premium, higher margin products represented approximately 64% of our lubricant volume sold, an increase of approximately 10 percentage points from approximately 54% in 2006. In calendar year 2009, our premium, higher margin products represented approximately 72.4% of our lubricant volume sold. In addition, we have also re-channeled our sales directly through 15 well-established,

exclusive high-grade distributors. These efforts have resulted in a strong perception of quality and confidence in our products by our customer base.

Production Capacity and Output

Our lubricant operations consist of a wholly-owned Lubricants Oil Blending Plant, or LOBP, located in Rio de Janeiro, with annual production capacity of 1.6 million barrels of lubricants per year, including 48,000 barrels of grease per year for fiscal year 2010. As of August 2010, our LOBP facility had operated for almost fourteen years without a single lost-time incident, which represents more than 8 million worker-hours worked in a safe workplace over those years, and operates at a utilization rate of approximately 62% of its total capacity as of March 31, 2010. This utilization rate offers an opportunity for growth through expansion of our market share or participation in Brazil's steady market growth with limited additional capital investments required. We also own a base oil terminal in Duque de Caxias and one secondary warehouse in Manaus.

We purchase virtually all of our base oils from Petrobras, to use as feedstock in our blending plant located in Rio de Janeiro. In addition, we also have a pier facility available for importing raw material, which gives us additional flexibility and a significant competitive advantage. The lubricants produced at our LOBP are sold to exclusive distributors and direct customers. Distributors have an evergreen contract, and most direct customers have a five year contract at prices set by us. Distributors then resell the products to customers in our retail market. In addition, distributors are contractually obligated to sell "Esso" and "Mobil" products and may not sell products directly competing with such brands. Approximately 97% of our sales volume is blended domestically, with the majority of the production delivered to the domestic market. Most of our lubricant sales are concentrated in the Southeast and South regions of Brazil.

Our LOBP provides an efficient and reliable local blending facility with the ability to import base oils. Approximately 6% of our finished lubricants volumes comes from our branded service stations. Since 2004, our branded service stations have been entirely served by our distributors, highlighting the significant synergies between our fuel marketing and lubricants businesses. On average, the LOBP receives approximately 3,000 orders per month, 4,800 invoices per month and has 2,200 shipments per month only or CIF (Cost, insurance and freight) with 56% of the volume delivered FOB during fiscal year 2010. The LOBP was built as a grassroots facility and commenced operations in 1957. Significant investments were undertaken in 2002. The distribution and logistics system for LOBP relies on six packaged carriers, three bulk carriers and one inbound carrier to distribute the products. Our LOBP is also supported by warehouses in Duque de Caxias and Manaus.

Cogeneration of Electrical Power

Sugarcane is composed of water, fibers, sucrose and other sugar molecules (glucose and fructose) and minerals. When the sugarcane goes through the milling process, we separate the water, sugar and minerals from the fibers, and are left with sugarcane bagasse. Sugarcane bagasse is an important by-product of sugarcane, and it is used as fuel for the boilers in our plants, through the so-called cogeneration process.

Cogeneration is the production of two kinds of energy—usually electricity and heat—from a single source of fuel. In our process, sugarcane bagasse is burned at very high temperatures in boilers, heating the water that is transformed into steam. This steam can be used in the form of: mechanical energy (to move crushers, for example), thermo energy (to heat the juice in the crystallization process, for example) and electricity, when this steam is used to move turbo-generators. Historically, the energy produced by Brazilian mills has not been price competitive, when compared to the low cost Brazilian hydro-electricity. Consequently, the majority of the groups in the sugar and ethanol sector have not invested in expanding their energy generation for sale, and the majority of the mills were constructed with low-pressure boilers, which are considered not to be the most efficient process.

Since 2000, the Brazilian economy has experienced significant growth, which in turn has resulted in increased demand for energy. However, hydro- and thermo-electricity have not been able to keep pace for the following reasons: (1) new hydro-electric plants are located in regions (such as the Amazon) distant from consumption centers; (2) significant lead-time is required to construct new hydro- and thermo-electric plants;

(3) significant investments are required for transmission lines, pipelines (for natural gas used in thermo-electric plants) and barges; (4) significant environmental costs associated with both types of electricity generation; and (5) increased price of the fuel (natural gas) for thermo-electricity and dependence on Bolivia (principal natural gas supplier). As a result, energy prices in Brazil have been increasing and other alternative sources, such as the electricity from the cogeneration of the sugarcane bagasse, have become increasingly competitive and viable options to satisfy increasing energy demands.

All of our plants are currently energy self-sufficient and the majority of them use low-pressure boilers. In order to expand the energy cogeneration in our mills, we have to replace our current low-pressure boilers with new high-pressure boilers. The steam generated by burning the same amount of bagasse in high-pressure boilers will yield higher pressure and higher temperature and, in turn, turbo-generators will be able to produce significantly more electricity. Excess energy can be sold to the grid. In 2001, we invested in changing one of the boilers at Usina da Serra, which made it possible for us to generate excess electricity that we sold to Companhia Paulista de Força e Luz (CPFL), one of the largest electric power distributors in the State of São Paulo, pursuant to a ten-year power purchase agreement. The installed capacity for third-party sales of this pilot project is only 9 MW. We currently have an installed energy capacity of 860 MW per year from our 23 plants, out of which six delivered energy to the Brazilian energy grid in fiscal year 2010. Six additional energy co-generation projects will come online between 2010 and 2012. We estimate that by 2012 we will have a total installed energy capacity of 1,213 MW, out of which 869 MW will come from plants that will sell excess energy to the grid.

In 2003, we built a successful pilot cogeneration plant at one of our mills, from which we sell surplus energy to Companhia Paulista de Força e Luz - CPFL, one of the largest electric power distributors in the State of São Paulo. We sell energy through bilateral contracts (we currently have contracts with CPFL and Grupo Rede) and through energy auctions promoted by the government, having participated in three auctions of "new energy" in 2005, 2006 and 2008. Currently, we plan to invest in our ten mills and two greenfield projects, out of our 23 producing units, that have already settled contracts to sell energy to third parties. These investments would sum approximately US\$1.2 billion and would allow us to sell approximately 2,500 GWh per year. We believe that energy sales will represent a significant source of additional and stable cash flow.

We believe that the principal advantages of energy generated by burning sugarcane bagasse are:

- a cleaner energy derived from renewable sources, considered to be "carbon neutral";
- highly complementary-relationship to hydro-electric energy, because sugarcane bagasse energy is generated during the crop season, which coincides with the dry period in the Brazilian Center-South region, when water supply levels are lower; and
- short lead-times to initiate operations is required.

In addition, smaller investments in transmission lines to the Brazilian power grid are required because our mills are located close to consumption centers.

Brazil's electricity system is undergoing widespread reforms. In light of projected growth rates in the Brazilian economy, we believe that increased investments in alternative energy sources, such as cogeneration, will be required as hydro-electric energy prices continue to rise. We believe investments in cogeneration will be encouraged by the Brazilian government, which has offered incentives, such as more attractive financing lines from BNDES, for generation from sugarcane bagasse.

Carbon Credits

Pursuant to the Kyoto Protocol, signatory nations will have the option of engaging in emissions trading in order to comply with Kyoto Protocol emissions levels. The emissions trading option enables a country to purchase Assigned Amount Units, or "AAUs", Certified Emissions Reductions, or "CERs", Emission Reduction Units or "ERUs" and Removal Units, or "RMUs" from another country that has excess unused

AAUs, CERs, ERUs and RMUs, also known as carbon credits. The purchasing country can then use these carbon credits to meet its climate mitigation objectives. Demand has arisen primarily from European, Japanese and Canadian companies.

Since 2002, we have been selling carbon credits generated from the energy we sell at Serra mill. Through this pilot project we initiated our investments in electric energy cogeneration, in order to sell the surplus. The amount of energy sold annually is currently immaterial (approximately 30 GWh), which corresponds to 9000 CERs generated annually. The Serra mill has been accredited to sell CERs for an initial period of seven years, which expired in 2009, and we are currently requesting the renewal to sell CERs for an additional seven-year period, expiring in 2016. This project was a pioneer initiative recognized and approved by the United Nations as one of the first carbon credit trading projects in the world. We generate carbon credits as we are producing and selling a cleaner electricity generated from bagasse, which is a renewable source. As a result, when we send this energy to the grid, we are providing a substitute for a fossil fuel source of energy. This substitution is measured by companies accredited by the United Nations, through approved methodologies, to quantify the amount of carbon credits to be generated and therefore available for sale.

We are also developing six new projects in our Costa Pinto, Rafard, GASA, Barra, Jataí and Bonfim Mills, which are expected to generate 300,000 tons of carbon credits annually. These six new projects are currently under development or requesting the appropriate certifications. Moreover, we believe that Cosan has a great potential for generating carbon credits, if similar projects are implemented in the other cogeneration plants. However, we cannot predict the future of this market, or to quantify our ability to generate and sell any amount of CERs, as these private sector emissions trading markets remain new, uncertain and very dynamic.

Sugar Logistics

Our sugar logistics operations are run through Rumo Logística, which we believe offers an integrated and cost competitive logistics solution to sugar producers located in the Center South of Brazil by transporting sugar from the mill by truck or rail to be loaded at its bulk sugar port terminal in Santos. We also offer sugar storage services. Rumo Logística started in fiscal year 2010 to transport sugar by truck and rail for ourselves and other sugar producers. Rumo Logística is also the owner of the largest bulk sugar port terminal in the world at the Port of Santos with a current annual loading capacity of 10 million tons, having loaded 8.1 million tons in fiscal year 2010. We are currently investing in this facility to add an additional wharf to the terminal to increase capacity from the present 10 million tons to 18 million tons by 2014. After the expansion, the port terminal will have the capacity to support 70% of the volume exported by the Center-South region sugar producers of Brazil.

In order to expand its operations, on March 9, 2009, Rumo Logística signed a long-term agreement with América Latina Logística S.A., or ALL, providing for the transportation by ALL of raw sugar and other sugar derivatives and the expansion of ALL's rail transport capacity through investments in ALL's rail network. As part of the agreement, Rumo Logística will invest up to R\$1.3 billion in a rail transportation system to be operated by ALL, including rolling stock and permanent ways, modern locomotives and hopper railcars and trans-shipment warehouses. In return, ALL will provide transport services, guaranteeing (1) a minimum volume curve reaching 1.09 million tons per month during the sugar season starting in the 4th year, (2) competitive tariffs to sugar producers compared to truck transportation alternatives available to them, (3) project management in connection with the planned investments, and (4) payment of a rent per ton of sugar transported for the investments undertaken by Rumo Logística. To finance these capital expenditures, Rumo Logística has already contracted R\$370 million of long term credit facilities from BNDES and raised capital with an equity private partner through the sale of a minority ownership stake. We expect Rumo Logística to obtain an additional credit facility from BNDES to fund the remaining capital expenditures.

Competition

The sugar industry in Brazil has experienced increased consolidation through merger and acquisition activity during the last several years. Most of this activity has involved companies and facilities located in the Center-South region of Brazil, one of the most productive sugar producing regions in the world. Despite this recent wave of consolidation, the industry remains highly fragmented with more than 320 sugar mills and 100 company groups participating. We are the largest ethanol and sugar producer in Brazil in terms of production volume and sales, with 50.3 million tons of crushed sugarcane in fiscal year 2010.

Many ethanol and sugar producers in Brazil market their ethanol and sugar products through the Copersucar. Copersucar is a private cooperative that was created in 1959 by 10 sugar mills in the State of São Paulo in order to provide a shared commercial distribution for their ethanol and sugar production. Currently, Copersucar is comprised of 38 producers in the states of São Paulo, Minas Gerais and Paraná. During the 2009/2010 harvest, Copersucar's affiliated mills crushed approximately 74.0 million tons of sugarcane.

We also face competition from international sugar producers. We are the third largest sugar producer in the world with 3.5 million tons of sugar produced in the 2009/2010 harvest, behind British Sugar (4.4 million tons of sugar produced in the 2009/2010 harvest) and Südzucker AG of Germany (with 4.3 million tons of sugar produced in the same period). These producers, however, are the beneficiaries of considerable governmental subsidies in their principal sales markets.

In the fuel the distribution business, we are subject to competition, both from companies in the industries in which we operate and from companies in other industries that produce similar products. Our competitors include service stations of large integrated oil companies, independent gasoline service stations, convenience stores, fast food stores, and other similar retail outlets, some of which are well-recognized national or regional retail systems. The Brazilian fuel distribution industry has consolidated significantly in recent years, with the five major distributors increasing their combined market share from 65.2% in 2000 to 76.1% in 2009. The top-five distributors in Brazil are: Petrobras, operating through the BR Distribuidora brand, Ultrapar S.A., through the Ipiranga and Texaco brands, Shell Brasil Ltda., a subsidiary of Royal Dutch Shell, CCL, through the Esso brand, and AleSat Combustíveis S.A., a domestic Brazilian fuels distribution. The principal competitive factors affecting the retail marketing operations include site location, product price, selection and quality, site appearance and cleanliness, hours of operation, store safety, customer loyalty and brand recognition. We believe that we are in a strong position to compete effectively on ethanol due to the synergies that further integration with Cosan will bring.

We also face competition from international ethanol producers that use other ethanol sources, such as corn and sugar beet for the generation of fuel ethanol.

Trademarks

Cosan has 141 trademarks registered with the National Intellectual Property Institute, or "INPI", along with 60 pending trademark registration requests. Our principal trademarks, União and Da Barra, are registered with INPI in multiple classes, which allow us to use these trademarks in the sugar, chocolate and various other markets.

CCL has no trademarks registered with the INPI and has 16 pending trademark registration requests. CCL is licensed to use ExxonMobil trademarks. CCL has a five-year agreement for fuels and ten-year agreement for lubricants, with ExxonMobil, expiring in 2013 and 2018 respectively, renewable at ExxonMobil's sole discretion, for the use of the "Esso" and "Mobil" brands, among others.

Research and Development

Crop Monitoring

In 2002, we established a partnership with the University of Campinas (*Universidade de Campinas*), or UNICAMP, to develop a geographic information system to improve the monitoring of our crops. Through this partnership, we have developed a tool that monitors the sugarcane crops with the use of satellite images. By using the system we are able to have more accurately production estimative. Further, we are able to get extremely detailed information on the state of our crops, which gives us the opportunity to improve the procedures of agricultural crop treatment. Currently, we monitor all land where we produce sugarcane, either in our own land, on leased areas or areas of suppliers.

Development of Sugarcane Varieties and other Products

We have agreements with the following technological institutes for the development of new varieties of sugarcane: Sugarcane Technology Center (*Centro de Tecnologia Canavieira*), or “CTC”, in which we are a major shareholder; Federal University of São Carlos (*Universidade Federal de São Carlos*), or “UFSCAR”; and Research Agronomical Institute (*Instituto Agrônomo de Pesquisa*), or “IAC”. CTC is a private institution focused on research and development of new technologies for agricultural activities, logistics, and industry, as well as creating new varieties of sugarcane. CTC has already developed biological ways for controlling pests and biodegradable plastic (*PHB*), and also created a VVHP-type (*very, very high polarization*) sugar that requires less energy to be processed, and cogeneration technology.

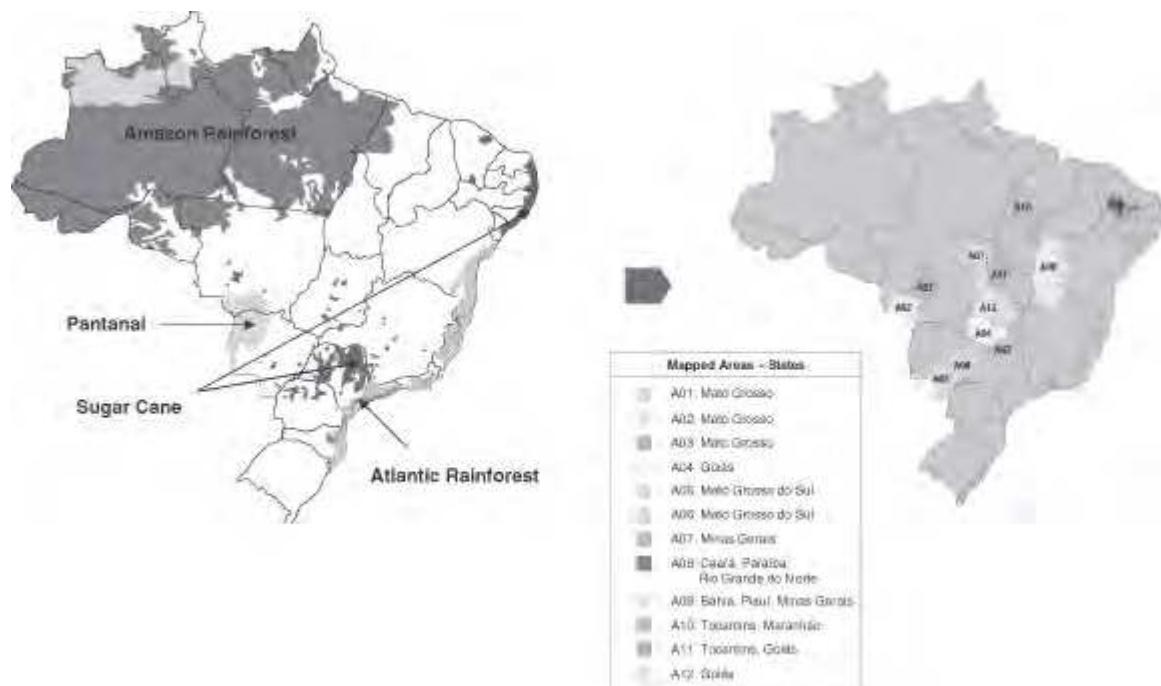
We also analyze and develop different products used to facilitate and enhance the growth of sugarcane, such as herbicides and fertilizers, also taking into consideration the different conditions of our sugarcane fields. We share this technology with our sugarcane suppliers to enable them to enjoy higher yields and better quality sugarcane.

In June 2006, we engaged CanaVialis S.A., or “CanaVialis”, to provide Cosan access to its sugarcane genetic improvement program specifically tailored to our mills. CanaVialis, which is affiliated with Monsanto, is Brazil’s only privately-owned firm focused on the genetic improvement of sugarcane. We believe we will benefit from their support services and use of their biofactory (the largest in Brazil), which will allow us to decrease the amount of time required for seedling production and grant us access to new, improved sugarcane varieties through their genetic improvement program. CanaVialis set up an experimental station in our Destivale mill, which began testing new species of sugarcane especially selected for Cosan’s production framework.

We invested approximately US\$2.9 million in research and development in fiscal year 2008. In transition fiscal year 2009, we invested US\$2.3 million. In fiscal year 2010, we invested US\$3.4 million.

Sugarcane varieties for greenfields

We have also identified other areas where we can build additional greenfield projects. We believe Brazil has land available to expand sugarcane plantations. The areas where we believe there is potential for sugarcane growth are illustrated below:



We have collected weather and soil data for all these areas. However, in order to obtain the productivity levels that we expect, we will first establish field trials to identify the varieties that can be cultivated in each target region. We will select sugarcane varieties adapted to each target region through a customized genetic selection program. For that purpose, we intend to establish up to ten small field stations in the regions specified in the right side map above.

CanaVialis has been working with Cosan to organize this network of stations and to ensure the quality of the field trials and the region-specific genetic selection program. Approximately US\$25.0 million of the net proceeds of our initial public offering were used in funding this network of field stations over six years. We plan to use advanced genetic research provided by CanaVialis to select and breed sugarcane varieties for each of these new production environments.

In December 2009, Cosan and Amyris entered into a letter of intent agreement for the adoption of technology developed by Amyris for the production of biofuels with high added value in one of our mills. Together, we plan to invest up to R\$50 million. This investment will also allow for the production of farnasene, a chemical component that results from fermentation of sugarcane syrup with yeasts. Cosan and Amyris are currently studying how to implement the partnership and obtain the required capital for the project.

Environmental Regulations

We are subject to various Brazilian federal, state and local environmental protection and health and safety laws and regulations as well as foreign environmental protection and health and safety laws and regulations governing, among other things:

- the generation, storage, handling, use and transportation of hazardous materials;
- the emission and discharge of hazardous materials into the ground, air or water; and
- the health and safety of our employees.

We may not have been or may not be at all times in complete compliance with such laws and regulations. Violation of these laws and regulations can result in substantial fines, administrative sanctions, criminal penalties, revocations of operating permits and/or shutdowns of our facilities.

We may be required to repair or remediate environmental damage we cause, as well as damage caused by third-party subcontractors. Additionally, under certain 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. We could also be held liable for any and all consequences arising out of human exposure to hazardous substances such as pesticides and herbicides or other environmental damage.

Permits. Certain environmental laws also require us to obtain from governmental authorities permits, licenses and authorizations to install and operate our mills, to burn sugarcane, and to perform some of our other operations. In addition, under federal and state laws, we are required to obtain authorizations to use water resources for irrigation and industrial purposes. Violations of such laws and regulations can result in the revocation or modification of our licenses, permits and authorizations, as well as administrative sanctions, fines and injunctions for the individuals and entities involved.

In Brazil, prior to the construction, setting up, extension or operation of facilities or the performance of activities that use natural resources or that may have a current or potential polluting effect, environmental licenses must be obtained from the proper federal, state and/or municipal governmental authorities. In issuing such environmental licenses, the competent governmental authority establishes conditions, restrictions and inspection measures applicable to the project, according to environmental laws and administrative regulations, including pollution control and environmental management requirements.

We are subject to the regulations of the *Companhia de Tecnologia de Saneamento Ambiental—CETESB*, or “CETESB”, the pollution control and remediation agency of the State of São Paulo, the *AGMA – Agência Goiana de Meio-Ambiente*, the pollution control and remediation agency of the State of Goiás and the *IMASUL – Instituto de Meio-Ambiente do Mato Grosso do Sul*, the pollution control and remediation agency of the State of Mato Grosso do Sul.

Environmental Licensing of Cosan. On March 31, 2010, we operated 23 mills (comprising four sugar refineries) and two port facilities in Brazil. All 23 mills obtained environmental operating licenses. Our port facilities have been excused from obtaining an installation license, which is granted to authorize setting up the project based on specifications provided for in the approved plans, programs and designs, including measures of environmental control and further conditions. We have obtained 10 operating licenses for our generation projects and we are in the process of obtaining licenses for two other cogeneration projects that will start operating in the next two years.

Sugarcane Burning. São Paulo state and certain local governments have established laws and regulations that limit our ability to burn sugarcane or that reduce and/or eliminate the burning of sugarcane entirely. São Paulo State regulation establishes that sugarcane burning must end by 2021 in areas where the terrain allows for mechanized harvesting, and by 2031 in all other areas. We have voluntarily committed ourselves to the Agri-Environmental Sugarcane Protocol, which establishes accelerated deadlines for the reduction of sugarcane burning. By signing this protocol, we committed to eliminate the sugarcane burning by 2014 in mechanized areas and by 2017 in non-mechanized areas. For our new plantation areas we have committed not to burn sugarcane.

For areas that are suitable for the replacement of a manual with a mechanical harvest, the burning of sugarcane must be reduced as follows:

- 70% of the harvested area by 2010;
- 100% of the harvested area by 2014.

For areas that do not technically allow the replacement of a manual harvest for a mechanical harvest, the burning of sugarcane must be reduced as follows:

- 30% of the harvested area by 2010;
- 100% of the harvested area by 2017.

Sugarcane producers are also required to burn sugarcane at least one kilometer from urban centers, at least 25 meters from telecommunication stations, at least 15 meters from electricity transmission and distribution lines and at least 15 meters from federal and state railways and highways. The law requires sugarcane producers to give prior notice of the burning of sugarcane to the State of São Paulo Department for the Protection of Natural Resources (*Departamento Estadual de Proteção de Recursos Naturais*), or “DEPRN”, and to the owners of lands surrounding the area where the sugarcane will be burned.

Certain local governments have recently enacted more stringent laws that prohibit sugarcane burning completely. It is unclear at this point which, if any, of our properties might be affected by these local laws. In addition, the laws in this area are uncertain, complex and subject to change at any time.

There is a likelihood that increasingly stringent regulations relating to the burning of sugarcane will be imposed by the State of São Paulo and other governmental agencies in the near future. As a result, the costs to comply with existing or new laws or regulations are likely to increase, our ability to operate our own plants and harvest our sugarcane crops may be adversely impacted, and the price we may have to pay to purchase already processed sugar may increase.

Our actual or alleged failure to comply with these laws and regulations has subjected and will in the future subject us to legal and administrative actions. These actions can impose civil or criminal penalties on the company, including a requirement to pay penalties or fines, an obligation to make capital and other expenditures or an obligation to materially change or cease some operations.

We cannot assure you that the above costs, liabilities and adverse impacts to our operations will not result in a material adverse effect on our business, results of operations or financial condition.

Brazilian Forestry Code. We are subject to the Brazilian Forestry Code, which prohibits land use in certain permanently protected areas, and obligates us to maintain and register a forestry reserve in each of our rural landholdings covering at least 20% of the total area of such land. In those properties where the legal forestry reserve does not meet the legal minimum, we are permitted to perform gradual reforestation until 100% of the legal forestry reserve is restored. We are currently performing the gradual reforestation of our properties and are in the process of recording this reforestation in the registries of our landholdings, as required by applicable law. If we violate or fail to comply with the Brazilian Forestry Code, we could be fined or otherwise sanctioned by regulators.

Environmental Proceedings. We are party to a number of administrative and judicial proceedings for actual or alleged failure to comply with environmental laws and regulations which may result in fines, shutdowns, or other adverse effects on our operations.

Non-compliance with environmental law is subject to administrative, civil and/or criminal sanctions.

- *Civil Liability:* Brazilian law provides for strict and joint and several liability for polluters (*i.e.* persons or legal entities, private or public, which are directly or indirectly responsible for an activity that causes environmental damage). Strict liability means that a party can be held responsible regardless of its knowledge, fault and degree of care or intent. Joint and several liability means that any individual party directly or indirectly involved with the cause of the damage may be sued for the entire amount of such damage, with the right to proportionally recover the losses from the other responsible parties.

In public civil actions against polluters, the plaintiff may seek money damages or specific performance to, among other things, (1) discontinue polluting activities; (2) restore the environment; or (3) fulfill any

environmental law requirement. Usually money damages are awarded to plaintiffs as compensation for losses or are imposed on polluters when the environment may not be restored. The plaintiff may also obtain preliminary or temporary injunctions against polluters by proving the existence of irreparable damages to the environment or public health.

- *Criminal and administrative liability*: Brazilian law provides for significant administrative and criminal sanctions against legal entities and individuals that violate regulations regarding the protection of natural resources, pollution control and fuel leaks. The sanctions for administrative infractions include: (1) warnings, (2) fines, which may range from R\$50 to R\$50,000,000 (US\$27.93 to US\$27,930,000) that can be doubled or tripled in case of recidivism, (3) partial or total interruption or suspension of business operations, (4) demolition, (5) cancellation of licenses, (6) loss or restriction of tax incentives and benefits, (7) loss or suspension of eligibility for credit lines with official credit institutions, and (8) prohibition from contracting with the government. The criminal penalties imposed may involve imprisonment or confinement, may limit or restrict certain rights (such as the temporary suspension or cancellation of an authorization, or prohibition to contract with public bodies), and may also include a monetary penalty.

We have made and expect to make substantial capital expenditures on an ongoing basis to continue to ensure our compliance with environmental laws and regulations, including those mentioned above. Our environmental compliance costs are likely to increase as a result of the projected increase in our production capacity. In addition, as a result of future expansion of our activities, as well as future regulatory and other developments, the amount and timing of future expenditures required for us to remain in compliance with environmental regulations could increase substantially from their current levels.

Insurance

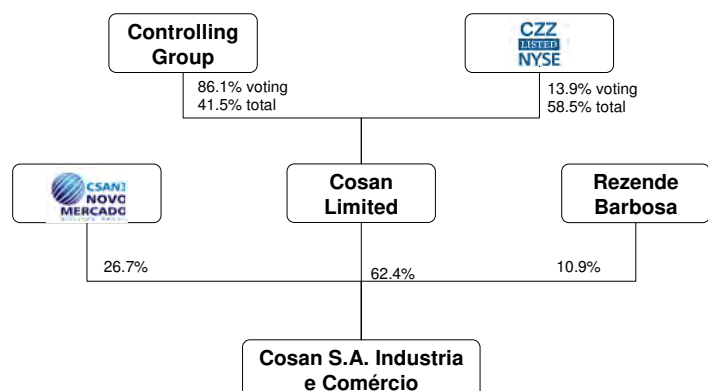
Cosan maintains insurance covering all of our inventory of ethanol and sugar and buildings and equipment in certain of our mills, against fire, lightning and explosions of any nature, in an aggregate amount of approximately R\$3.1 billion (US\$1.7 billion). Our inventories of ethanol and sugar located in different mills and warehouses are covered by insurance policies that are annually renewed.

Cosan Portuária/Teaçu maintains civil liability insurance providing protection against any damage caused to third parties in its warehouses, equipment and third parties goods and boats in an aggregate amount equal to approximately R\$132 million (US\$70.6 million). Cosan Portuária/Teaçu also maintains employers' civil liability insurance.

CCL maintains real property insurance against fire, lightning and explosions of its buildings and equipments. The inventories of fuels and lubricants are located in warehouses and are insured under a policy that expires in October 2010. CCL also maintains insurance covering buildings and equipment located in certain terminals, warehouses, tanks, other facilities and services stations. CCL maintains an insurance policy covering products that are transported by truck, ship, ferry and trains. CCL maintains a third party liability policy covering damages to third parties.

We do not anticipate having any difficulties in renewing any of our insurance policies and believe that our insurance coverage is reasonable in amount and consistent with industry standards in Brazil.

C. Organizational Structure



The following subsidiaries were included in our audited consolidated financial statements for fiscal year 2010, the eleven months ended March 31, 2009 and the years ended April 30, 2008 and 2007.

| | Ownership % as of March 31, | | | | Ownership % as of April 30, | | | |
|--------------------------------------|-----------------------------|----------|--------|----------|-----------------------------|----------|--------|----------|
| | 2010 | | 2009 | | 2008 | | 2007 | |
| | Direct | Indirect | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| Cosan S.A. Indústria e Comércio..... | 62.27 | | 68.9 | — | 62.8 | — | 51.0 | — |
| Cosan Operadora Portuária S.A. | — | 57.8 | — | 62.0 | — | 56.5 | — | 45.9 |
| Administração de Participações | | | | | | | | |
| Aguassanta Ltda. | — | 56.9 | — | 63.0 | — | 57.5 | — | 46.7 |
| Agrícola Ponte Alta S.A. | — | 62.0 | — | 68.6 | — | 62.2 | — | 50.2 |
| Cosan Distribuidora de | | | | | | | | |
| Combustíveis Ltda. | — | 62.2 | — | 68.8 | — | 62.7 | — | 50.9 |
| Cosan S.A. Bioenergia..... | — | 62.2 | — | 68.9 | — | 62.8 | — | 50.9 |
| Corona Bioenergia S.A.(1) | — | — | — | — | — | — | — | 50.2 |
| FBA Bioenergia S.A.(1) | — | — | — | — | — | — | — | 50.2 |
| Barra Bioenergia S.A.(1) | — | 62.0 | — | 68.6 | — | 62.2 | — | 50.2 |
| Cosan International Universal | | | | | | | | |
| Corporation..... | — | 62.2 | — | 68.9 | — | 62.8 | — | 51.0 |
| Cosan Finance Limited | — | 62.2 | — | 68.9 | — | 62.8 | — | 51.0 |
| Da Barra Alimentos Ltda. | — | 62.0 | — | 68.6 | — | 62.2 | — | 50.2 |
| Barrapar Participações Ltda. | — | 62.0 | — | 68.6 | — | — | — | — |
| Aliança Indústria e Comércio de | | | | | | | | |
| Açúcar e Alcool S.A. | — | 62.0 | — | 68.6 | — | — | — | — |
| Águas da Ponte Alta S.A. | — | 62.0 | — | 68.6 | — | — | — | — |
| Vale da Ponte Alta S.A. | — | 62.0 | — | 68.6 | — | — | — | — |
| Bonfim Nova Tamoio—BNT | | | | | | | | |
| Agrícola Ltda. | — | 62.0 | — | 68.6 | — | 62.2 | — | 50.2 |
| Cosan S.A. Açúcar e Alcool (2) | — | 62.0 | — | 68.6 | — | 62.2 | — | 50.2 |
| Copsapar Participações S.A. | — | 56.0 | — | 62.0 | — | — | — | — |
| Grançucar S.A. Refinadora de | | | | | | | | |
| Açúcar..... | — | 62.2 | — | 68.9 | — | 62.8 | — | 51.0 |
| Cosan Centroeste S.A. Açúcar e | | | | | | | | |
| Alcool | — | 62.0 | — | 68.6 | — | 62.2 | — | 51.0 |
| Benálcool Açúcar e Alcool S.A. | — | 62.0 | — | 68.6 | — | 62.2 | — | — |
| Cosanpar Participações S.A. | — | — | — | 68.9 | — | — | — | — |
| Cosan Combustíveis e | | | | | | | | |
| Lubrificantes S.A.(4) (5) | — | 62.2 | — | 68.9 | — | — | — | — |

(1) FBA Bioenergia merged into Barra Bioenergia and Corona Bioenergia, being renamed as Barra Bioenergia S.A.

(2) Usina da Barra S.A. Açúcar e Alcool changed its corporate name to Cosan S.A. Açúcar e Alcool.

(3) The Company sold its equity interest in this company, on July 23, 2007, to Agrícola Ponte Alta S.A.

(4) Cosan Combustíveis e Lubrificantes S.A. was included from December 1, 2008 onwards.

(5) On June 23, 2009, Cosanpar Participações S.A. and Cosan Combustíveis e Lubrificantes S.A. merged.

D. Property, Plant and Equipment

The following table sets forth the amounts related to property, plant and equipment at the end of fiscal year 2010, transition fiscal year 2009 and for the years ended April 30, 2008 and 2007:

| | At March 31, | | At April 30, | |
|--|-----------------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2008 | 2007 |
| | (in millions of US\$) | | | |
| Land and attached properties | US\$ 506.6 | US\$ 401.1 | US\$ 262.4 | US\$ 158.0 |
| Machinery, equipment and installations | 2,759.0 | 1,285.5 | 1,235.3 | 868.8 |
| Vehicles | 168.9 | 123.9 | 117.4 | 87.8 |
| Furniture, fixtures and computer equipment | 71.3 | 44.6 | 50.5 | 20.1 |
| Buildings | 580.2 | 229.3 | 128.6 | 94.2 |
| Leasehold improvements | 264.7 | 153.4 | 141.6 | 93.3 |
| Construction in progress | 811.4 | 395.2 | 372.0 | 130.3 |
| Sugarcane plant development costs | 807.8 | 655.3 | 730.7 | 373.3 |
| | 5,969.8 | 3,288.3 | 3,038.4 | 1,825.8 |
| Accumulated depreciation and amortization | (1,823.3) | (1,028.9) | (1,020.3) | (631.8) |
| Total | 4,146.5 | US\$ 2,259.4 | US\$ 2,018.1 | US\$ 1,194.0 |

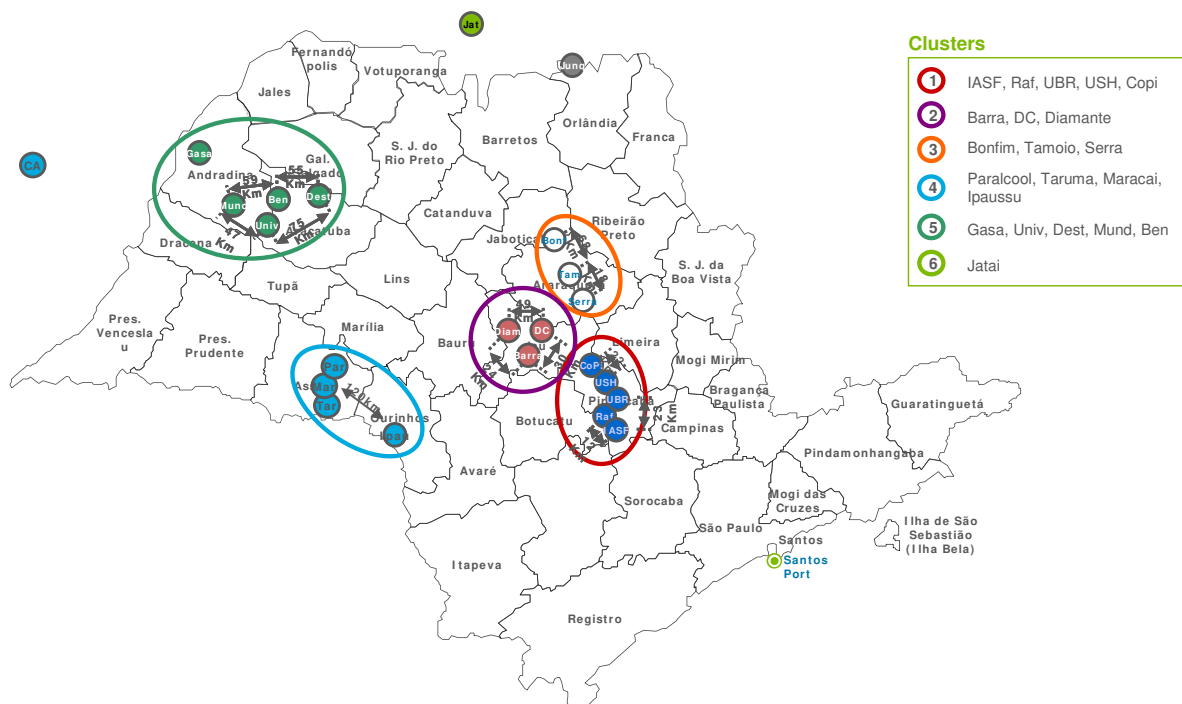
The following table sets forth the types of products produced by and the production capacity and production volumes of each of our mills for the periods indicated:

| Name | Products | Annual Crushing Capacity | Sugarcane Volume Processed | | | | | | | |
|---------------------|------------------------------------|--------------------------------|-----------------------------|----------------------------------|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | | For Fiscal Year Ended | For Eleven Months Ended | For Fiscal Year Ended | | | Crop 2009/2010 | Crop 2008/2009 | Crop 2007/2008 |
| | | | March 31, 2010 | March 31, 2009 | April 30, 2008 | April 30, 2007 | April 30, 2006 | | | |
| | | | (in millions of tons) | | | | | | | |
| Da Barra | sugar, ethanol and cogeneration | 8.20 | 7.10 | 6.98 | 7.16 | 6.56 | 6.75 | 7.10 | 7.38 | 6.82 |
| Bonfim | sugar, ethanol and cogeneration | 4.32 | 4.22 | 4.61 | 4.30 | 3.81 | – | 4.22 | 4.79 | 4.13 |
| Costa Pinto | sugar, ethanol and cogeneration | 4.64 | 4.53 | 4.10 | 4.07 | 3.68 | 3.27 | 4.53 | 4.18 | 3.99 |
| Junqueira | sugar, ethanol and cogeneration | 3.12 | 2.95 | 2.78 | 2.57 | 2.49 | 2.71 | 2.95 | 2.81 | 2.54 |
| Rafard | sugar, ethanol and cogeneration | 2.84 | 2.45 | 2.49 | 2.54 | 2.32 | 2.16 | 2.45 | 2.56 | 2.50 |
| Univalem | sugar, ethanol and cogeneration | 2.79 | 2.11 | 2.38 | 2.30 | 2.17 | 1.75 | 2.10 | 2.51 | 2.31 |
| Santa Helena | sugar, ethanol and cogeneration | 2.47 | 2.04 | 2.11 | 2.15 | 1.87 | 1.75 | 2.04 | 2.22 | 2.08 |
| Ipaussu | sugar, ethanol and cogeneration | 2.33 | 2.03 | 2.13 | 2.19 | 1.91 | 1.63 | 2.03 | 2.10 | 2.17 |
| Diamante | sugar, ethanol and cogeneration | 2.31 | 2.05 | 1.96 | 1.99 | 1.90 | 1.86 | 2.05 | 2.08 | 1.88 |
| Serra | sugar and cogeneration | 2.16 | 1.91 | 1.84 | 1.82 | 1.63 | 1.55 | 1.91 | 1.95 | 1.72 |
| Tamoio | sugar and cogeneration | 1.57 | 1.30 | 1.32 | 1.24 | 0.98 | – | 1.30 | 1.41 | 1.15 |
| São Francisco | sugar and cogeneration | 1.82 | 1.54 | 1.53 | 1.66 | 1.48 | 1.23 | 1.54 | 1.64 | 1.57 |

| Name | Products | Annual Crushing Capacity | Sugarcane Volume Processed | | | | | | | |
|-----------------------|------------------------------------|--------------------------------|--------------------------------|----------------------------------|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | | For Fiscal Year Ended | For Eleven Months Ended | For Fiscal Year Ended | | | Crop 2009/2010 | Crop 2008/2009 | Crop 2007/2008 |
| | | | March 31, 2010 | March 31, 2009 | April 30, 2008 | April 30, 2007 | April 30, 2006 | | | |
| (in millions of tons) | | | | | | | | | | |
| Dois Córregos | sugar, ethanol and cogeneration | 1.67 | 1.39 | 1.41 | 1.43 | 1.20 | 1.26 | 1.39 | 1.50 | 1.34 |
| Destivale | sugar, ethanol and cogeneration | 1.62 | 1.41 | 1.41 | 1.37 | 1.08 | 0.86 | 1.41 | 1.46 | 1.38 |
| Mundial | sugar, ethanol and cogeneration | 1.47 | 1.27 | 1.25 | 1.15 | 0.87 | 0.01 | 1.27 | 1.32 | 1.07 |
| Gasa | sugar, ethanol and cogeneration | 2.09 | 2.95 | 1.88 | 1.18 | 1.22 | 1.11 | 2.95 | 1.88 | 1.20 |
| Bom Retiro..... | sugar, ethanol and cogeneration | 1.49 | 1.32 | 1.30 | 1.21 | 0.98 | — | 1.32 | 1.34 | 1.17 |
| Benálcool | sugar, ethanol and cogeneration | 1.22 | 1.02 | 1.10 | 0.59 | — | — | 1.02 | 1.10 | — |
| Jataí | sugar, ethanol and cogeneration | 2.1 | 0.34 | — | — | — | — | 0.34 | — | — |
| Caarapó | sugar, ethanol and cogeneration | 2.0 | 0.14 | — | — | — | — | 0.03 | — | — |
| Tarumá | sugar, ethanol and cogeneration | 4.50 | 3.07* | —* | —* | —* | —* | 4.18 | —* | —* |
| Maracaí | sugar, ethanol and cogeneration | 3.50 | 2.36 | —* | —* | —* | —* | 3.23 | —* | —* |
| Paralcool | sugar, ethanol and cogeneration | 1.29 | 0.81 | —* | —* | —* | —* | 1.05 | —* | —* |

* Incorporated as of June 2009.

The following map shows the location of our mills:



Expansion Plans

During the last several years, our business has grown mainly due to acquisitions. Because of the increase in acquisition prices in recent years, we started to invest in the expansion of certain of our mills, Gasa and Bonfim, and in greenfield projects to improve our overall crushing capacity. In 2009, however, the prices decreased significantly, therefore we were able to acquire certain assets related to the trading, logistics and industrialization of sugar and ethanol, as well as to the cogeneration of energy of Nova América, which added 10.6 million tons of crushing capacity to our group.

We estimate that we may gain up to an additional 10 million tons of crushing capacity in the next few years upon investing approximately US\$550 million, if we decide to continue with these projects. We believe that our expansion plans provide us with the following benefits: (1) investments per ton of additional crushing capacity are significantly lower than the current relative acquisition costs in the Brazilian market; and (2) expanding our mills will allow us to gain scale and improve our production processes, thereby reducing operating costs and improving yields.

Greenfield Projects

We have invested in a sizable, state-of-the-art, fully-dedicated ethanol greenfield project. The Jataí plant is projected to have approximately 4 million tons of crushing capacity and began operations in the third quarter of fiscal year 2010.

We believe that the productivity achieved in this new plant in the State of Goiás is equal to or better than currently obtained in our 21 operating plants in the State of São Paulo, representing an average of 90.0 tons of cane sugar by hectare. The industrial facilities of Jataí began operations in the third quarter of fiscal year 2010, and its crushing capacity will increase as follows:

| | Crushing Capacity For Fiscal Year Ended March 31, | | | |
|--------------|--|-------------|-------------|-------------|
| | 2011 | 2012 | 2013 | 2014 |
| | (million tons) | | | |
| Jataí | 2.1 | 4.0 | 4.0 | 4.0 |
| Caarapó..... | 2.1 | 2.6 | 2.6 | 2.6 |

In addition, we will be able to use the railway network that serves much of central Brazil, which may significantly reduce logistics costs of the Jataí plant.

We believe that the greenfield project will enable us to continue to expand our operations; provide us with access to a sizeable area for future growth (State of Goiás) where land prices are currently less expensive than in the State of São Paulo with similar favorable climate, topography and soil conditions present in the Center-South region of Brazil; and increase our ethanol production to meet increasing demand both in Brazil and internationally. Although we expect a short-term increase in logistics costs given the greater distance from the mills to the ports or consumption centers (cities of Jataí, Montividiu and Paraúna are located at approximately 983 kilometers from São Paulo), as well as the less developed transportation system in the region. Nevertheless, there may be an ethanol pipeline project expected to reach the state of Goiás in the near future, which would reduce significantly the transportation cost of our ethanol from these facilities.

We have also invested in the Caarapó plant in the state of Mato Grasso do Sul, a project we inherited in the Nova América acquisition. The industrial facilities of Caarapó began operations in the third quarter of fiscal year 2010 and have a crushing capacity of 2.6 million tons of sugar and production of approximately 75 million liters (19.8 million gallons) of ethanol.

We have already identified other areas where we could build additional greenfield projects in the future.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion along with our audited consolidated financial statements and the related notes to our audited consolidated financial statements as of and for fiscal year 2010, the eleven months ended March 31, 2009 and the year ended April 30, 2008. The following discussion contains forward-looking statements that are subject to risks, uncertainties and assumptions, including those discussed under “Item 3. Key Information—D. Risk Factors” and described in this annual report generally. Our actual results, performance and achievements may differ materially from those expressed in, or implied by, these forward-looking statements. See “Forward-Looking Statements.”

Consolidated Financial Statements

The discussion in this section is based on our audited consolidated financial statements at March 31, 2010 and March 31, 2009 and for the fiscal year ended March 31, 2010, the eleven months ended March 31, 2009 and the fiscal year ended April 30, 2008. We use U.S. GAAP for financial reporting purposes. Our audited consolidated financial statements include the financial statements of the Company and its controlled subsidiaries (*i.e.*, companies as to which the Company holds an ownership interest greater than 50%). Investments in entities in which the Company does not control but has significant influence over managing the business, are accounted for using the equity method. All significant intercompany accounts and transactions are eliminated upon consolidation.

Segment Presentation

In 2010, we modified our segment presentation. We had previously operated in four segments. In connection with some management changes and realignment of the business, we combined the previously separate sugar and ethanol segments into the Sugar and Ethanol segment. We now operate in three segments: sugar and ethanol; fuel and lubricants distribution and sugar logistics. The sugar and ethanol segment mainly operates and produces a broad variety of sugar products, including raw, organic, crystal and refined sugars and consumer products under the “Da Barra” and “União” brands, which are sold to a wide range of customers in Brazil and abroad, as well as produces and sells hydrous, anhydrous and industrial ethanol, which are sold primarily to the Brazilian market. The sugar and ethanol segment also includes our energy co-generation activities and land development businesses. We have retained the fuel and lubricants distribution segment which principally distributes fuels and also produces and sells lubricants. Finally, the acquisition in fiscal year 2010 of Teaçú and Curupay, and their combination with our Novo Rumo business makes up our new operating segment called Sugar Logistics. The Sugar Logistics segment provides logistics services for the transport, storage and port lifting of sugar for us and third parties. Because we use the same assets to produce products for both our Brazilian and export markets, we do not identify assets by market. See note 23 to our audited consolidated financial statements included in this annual report.

Factors Affecting Our Results of Operations

Our results of operations have been influenced and will continue to be influenced by the following key factors:

Acquisitions, Partnerships and Corporate Restructurings

Since May 2004, we have expanded our annual sugarcane crushing capacity by 141.9% from 24.8 million tons to 60 million tons as of March 31, 2010 primarily through acquisitions, partnerships and corporate restructurings (the completion of the Nova América acquisition in June 2009 added 10.6 million tons to our sugarcane crushing capacity). As a result of these acquisitions, partnerships and corporate restructurings, our net sales and gross profit have increased significantly. However, we have not realized all of the expected cost savings from these transactions, as they have also increased our sugarcane planting-related general and

administrative expenses and capital expenditures in order to improve the condition of certain sugarcane fields that we acquired under these transactions. See “Item 4. Information on the Company—A. History and Development of the Company—Acquisitions, Partnerships and Corporate Restructurings.”

Sugar

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

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

| | Sugar NY11 (US\$/lb) | | | | |
|----------------------------|---------------------------------------|--|---------------------------------|--------|--------|
| | For Fiscal Year Ended March 31, | For Eleven Months Ended March 31, | For Fiscal Year Ended April 30, | | |
| | | | 2010 | 2009 | 2008 |
| | Initial quote | 0.1273 | 0.1065 | 0.0924 | 0.1713 |
| Closing quote..... | 0.1659 | 0.1267 | 0.1065 | 0.0924 | 0.1713 |
| Daily average quote..... | 0.2080 | 0.1217 | 0.1055 | 0.1247 | 0.1269 |
| Monthly average quote..... | 0.2138 | 0.1218 | 0.1049 | 0.1249 | 0.1275 |
| High quote | 0.2990 | 0.1419 | 0.1502 | 0.1791 | 0.1930 |
| Low quote..... | 0.1222 | 0.0952 | 0.0845 | 0.0924 | 0.0823 |

Source: NYBOT; prices from the 1st Generic Future

The table below sets forth the prices for refined sugar LIFFE for the periods indicated:

| | Sugar LIFE (US\$/ton) | | | | |
|----------------------------|---------------------------------------|--|---------------------------------|--------|--------|
| | For Fiscal Year Ended March 31, | For Eleven Months Ended March 31, | For Fiscal Year Ended April 30, | | |
| | | | 2010 | 2009 | 2008 |
| | Initial quote | 399.20 | 337.50 | 308.00 | 470.00 |
| Closing quote..... | 504.00 | 392.80 | 337.50 | 308.00 | 470.00 |
| Daily average quote..... | 557.03 | 358.51 | 314.65 | 386.26 | 336.65 |
| Monthly average quote..... | 569.97 | 361.74 | 318.04 | 383.52 | 341.05 |
| High quote | 759.00 | 392.80 | 397.00 | 489.00 | 479.20 |
| Low quote..... | 392.70 | 294.80 | 259.50 | 300.40 | 238.50 |

Source: LIFFE; prices from the 1st Generic Future

World raw sugar prices decreased from US\$0.1713 per pound at the end of fiscal year 2006 to US\$0.0924 per pound at the end of fiscal year 2007, principally due to: (1) higher U.S. interest rates and uncertainty as to future changes in interest rates, as well as projected lower rates of worldwide economic growth, which caused investors to reduce substantially their emerging market securities and commodities positions; (2) preliminary harvest estimates of a sugar supply surplus in excess of 3 million tons (compared to sugar supply deficits during the previous three harvests), resulting in part from the recovery of sugarcane production in India to pre-2003 levels (when it had a harvest failure); (3) the granting of a 1.4 million ton allowance for subsidized sugar exports from the European Community, which led to higher exports from producers in the European Community in the period prior to the effectiveness of such restrictions in May 2006; and (4) increased domestic sugar production in Russia, China and Ukraine, which historically have been among the largest importers of sugar in the world. Domestic crystal sugar prices in Brazil also decreased, from US\$23.76 per 50 kilogram bag at the end of April 2006 to US\$15.81 per 50 kilogram bag at the end of April 2007. Due to the 2.7% appreciation of the *real* against the U.S. dollar during this period, the domestic price of crystal sugar in Brazil in U.S. dollar terms decreased by 33.5% (compared to 32.5% in *reais*).

World raw sugar prices increased from US\$0.0924 per pound at the end of fiscal year 2007 to US\$0.1065 per pound at the end of the period ended April 30, 2008, principally due to: (1) the Indian harvest, which was significantly lower than expected mainly due to a reduction in planted area driven by low prices, delays in defining the government-stipulated sugar cane price at the beginning of the harvest and higher returns from other crops such as wheat and rice; (2) the sugar surplus from the last harvest and lower demand; and (3) the increase of Russia's demand for sugar caused by the lift of the surcharge on sugar imports on May 2008. Crystal sugar prices in Brazil increased from US\$15.81 per 50 kilogram bag at the end of April 2007 to US\$16.40 per 50 kilogram bag at the end of April 30, 2008, principally due to the continued weakening of the dollar, since its price in *reais* had decreased.

World raw sugar prices increased from US\$0.1065 per pound at the end of fiscal year 2008 to US\$0.1267 at the end of transition fiscal year 2009, principally due to (1) lower production than expected in India (declined from 22 million tons to 15 million tons); and (2) combined with the 6.4% devaluation of the U.S. dollar against the *real* which caused the average cost to remain 24.4% above fiscal year 2008. Crystal sugar prices in Brazil increased from US\$16.40 per 50 kilogram bag at the end of April 30, 2008 to US\$20.18 per 50 kilogram bag at the end of March 31, 2009, principally due to the devaluation of the U.S. dollar against the *real*.

World raw sugar prices reached record levels and increased from US\$0.1267 per pound at the end of transition fiscal year 2009 to US\$0.2990 in January 2010, reflecting the second year of deficit of sugar in the world, especially as result of lower production in India, which swung from a large exporter to great importer. After this peak, sugar prices started to decline again, reaching US\$0.1659 by the end of fiscal year 2010, principally due to some signs of the end of world deficit to a more balanced situation, resulting from a larger crop in India and in Brazil (the last one impacted by more adequate weather conditions). Crystal sugar prices in Brazil increased from US\$20.18 per 50 kilogram bag at the end of March 31, 2009 to US\$37.73 per 50 kilogram bag at the end of March 31, 2010, principally due to lower sugar availability and strong exports during the harvest.

Ethanol

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

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

| | Hydrous Ethanol Esalq (US\$/thousand liters) | | | | |
|----------------------------|---|--|--|-------------|-------------|
| | For Fiscal Year Ended March 31, | For Eleven Months Ended March 31, | For Fiscal Year Ended April 30, | | |
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| | Initial quote | 248.62 | 435.50 | 451.53 | 433.59 |
| Closing quote..... | 420.11 | 262.98 | 434.50 | 451.53 | 433.59 |
| Daily average quote..... | 453.91 | 371.24 | 366.11 | 386.90 | 377.92 |
| Monthly average quote..... | 455.01 | 378.66 | 372.35 | 394.59 | 369.98 |
| High quote | 677.14 | 456.78 | 448.62 | 475.19 | 579.86 |
| Low quote..... | 248.62 | 262.98 | 283.10 | 337.12 | 231.83 |

Source: ESALQ.

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

| | Anhydrous Ethanol Esalq (US\$/thousand liters) | | | | |
|----------------------------|---|--|--|-------------|-------------|
| | For Fiscal Year Ended March 31, | For Eleven Months Ended March 31, | For Fiscal Year Ended April 30, | | |
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| | Initial quote | 286.43 | 476.93 | 528.96 | 498.36 |
| Closing quote..... | 489.18 | 302.17 | 476.93 | 528.96 | 498.36 |
| Daily average quote..... | 518.70 | 438.58 | 417.24 | 432.22 | 413.33 |
| Monthly average quote..... | 518.87 | 449.11 | 423.88 | 443.02 | 406.45 |
| High quote | 734.09 | 559.85 | 524.69 | 537.59 | 569.90 |
| Low quote..... | 286.43 | 302.17 | 325.32 | 370.03 | 265.57 |

Source: ESALQ.

The main factors that can explain fluctuations in the price of ethanol are the seasonality of sugarcane harvests, climatic variations and the volume of existing stock. Consequently, the Brazilian market price of ethanol reached US\$1.8053 per gallon (US\$476.93 per thousand liters) of anhydrous ethanol and US\$1.6447 per gallon (US\$434,50 per thousand liters) of hydrous ethanol at April 30, 2008, less than April 30, 2007 prices of US\$2.0023 per gallon (US\$528.96 per thousand liters) of anhydrous ethanol and US\$1.7092 per gallon (US\$451.53 per thousand liters) of hydrous ethanol. At March 31, 2009, the Brazilian market price of ethanol reached US\$1.1438 per gallon (US\$302.17 per thousand liters) of anhydrous ethanol and US\$0.9955 per gallon (US\$262.98 per thousand liters) of hydrous ethanol. At March 31, 2010, the Brazilian market price of ethanol reached US\$1.5903 per gallon (US\$420.11 per thousand litres) of hydrous ethanol and US\$1.8517 per gallon (US\$489.18 per thousand liters) of anhydrous ethanol. This increase occurred due to lower availability of ethanol due to the accelerated demand in 2009 (increase in flex fuel car sales) and the reduced supply due to the rainy harvest, resulting in a significant increase in prices of both anhydrous and hydrous ethanol.

Demand for Fuels

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

Recent economic indicators published by IBGE have shown a decrease in unemployment levels over the long-term. IBGE indicators have also shown an improvement in the Brazilian economy, with GDP having increased by 5.1% in 2008 from 2007 and 5.7% in 2007 from 2006. However, in 2009, Brazil's GDP decreased by 0.2%. Over the past few years, these general positive trends, and the previous availability of credit, have resulted in record levels of vehicle sales. Despite record car sales, Brazil's current vehicle fleet is small compared to other Latin American countries, with 7.2 inhabitants per vehicle, whereas Argentina has 4.9 and the U.S. has 1.2 inhabitants per vehicle, according to ANFAVEA. Nonetheless, the latter half of 2008 and 2009 was marked by a slowdown in Brazil's GDP, in part due to the global economic crisis. The impact is greater on sales of diesel fuel, which is primarily used in Brazil by trucks and industrial businesses most affected by a slowdown in the economy. We expect demand for our products, particularly diesel fuels, to continue to be adversely affected with the global financial crisis.

Currency Fluctuations

In fiscal year 2010, 82.1% of our net sales were invoiced in *reais* and 17.9% of our net sales were invoiced in U.S. dollars or linked to dollar prices. A devaluation of the *real* affects our consolidated financial statements by:

- reducing our *real*-denominated net sales as a result of the translation of those results into U.S. dollars for consolidation purposes;
- reducing our *real*-denominated costs of goods sold, selling, general and administrative expenses, as well as other *real*-denominated operating costs as a result of the translation of those amounts for consolidation purposes into U.S. dollars;
- generating foreign exchange transaction gains on U.S. dollar-denominated monetary assets and foreign exchange liabilities on U.S. dollar-denominated liabilities of our Brazilian subsidiaries, which are reflected in our consolidated statement of operations;
- generating financial losses based on changes in market value of our financial derivatives; and
- indirectly affecting the international market price of sugar.

Similarly, an appreciation of the *real* in relation to the U.S. dollar would have opposite effects.

Seasonality

Our business is subject to seasonal trends based on the sugarcane growing cycle in the Center-South region of Brazil. The annual sugarcane harvesting period in the Center-South region of Brazil begins in April and ends in December. This creates fluctuations in our inventory, usually peaking in December to cover sales between crop harvest (*i.e.*, January through March), and a degree of seasonality in our gross profit.

Inflation

Inflation rates in Brazil were 12.1% in 2004, 1.2% in 2005, 3.8% in 2006, 7.7% in 2007, and 9.1% in 2008, and decreased by 1.43% in 2009 as measured by the General Price Index—Internal Availability. Inflation affects our financial performance by increasing certain of our operating expenses denominated in *reais* (and not linked to the U.S. dollar). These operating expenses include labor costs, leases, selling and general administrative expenses. However, inflation did not have a material impact on our business for the periods presented.

Cost Structure

Our cost structure may be divided into costs that are linked to the prices of our products and costs that are not linked to the prices of our products. Two of our principal cost components, raw materials and land leases, are linked to the prices of our products. Accordingly, we adjust the prices of our products to follow

fluctuations in the cost of our raw materials and leased land, substantially minimizing the impact of this cost volatility on our results of operations. In addition, another relevant portion of our costs is represented by agricultural and industrial inputs, some of which are imported and which are also subject to price fluctuations primarily as a result of exchange rate variations. As the majority of our net sales are derived from exports, a substantial portion of fluctuations in the costs of these inputs is offset by similar fluctuations in our Brazilian and international prices, substantially minimizing the impact of this cost volatility on our results of operations.

Other Factors

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

- hedging transactions (as discussed under “Hedging Transactions and Exposures”);
- 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;
- the use of ethanol as a cleaner-burning fuel, derived from renewable sources;
- changes in international prices of oil (denominated in U.S. dollars) and related changes in the domestic prices of oil (denominated in *reais*);
- the growth rate of the global economy and its resulting corresponding growth in worldwide sugar consumption;
- the growth rate of Brazil’s gross domestic product, which impacts the demand for our products and, consequently, our sales volume in Brazil; and
- the tax policies adopted by the Brazilian federal government and the governments of the Brazilian states in which we operate, and our resulting tax obligations.

Critical Accounting Policies

The presentation of our financial condition and results of operations based on U.S. GAAP requires us to make certain judgments and estimates regarding the effects of matters that are inherently uncertain and that impact the carrying value of our assets and liabilities. Actual results could differ from those estimates. In order to provide an understanding about how we form our judgments and estimates about certain future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, we have summarized the critical accounting policies set forth below under U.S. GAAP.

Revenue Recognition and Provision for Doubtful Accounts. We recognize revenue for our product sales when risk and title to the product are transferred to our customer. Transfer occurs at the time when the product is delivered to our customers or their freight carriers. We record a provision for doubtful accounts in selling expenses in an amount that we consider sufficient to cover any probable losses on realization of our accounts receivable. In order to determine the overall adequacy of the allowance for doubtful accounts, we constantly evaluate the amount and characteristics of our accounts receivable. We record a provision in light of past collection experience, as well as when significant payment delays occur, and we believe that we may not receive payment in full. We do not record a provision when the accounts receivable are guaranteed by a creditworthy entity or where there are other reasonable grounds to believe that they will be paid. A substantial portion of our production is sold to a small number of customers that acquire large portions of our production and most of them are well known multinational dealers in our industry. Historically, we have faced no relevant write-offs in relation to our accounts receivable. Given the assumptions involved, such as the financial situation of our debtors, commercial and economic trends, allowances for doubtful accounts are

subject to uncertainty and may be revised upward or downward depending on the actual performance of an account receivable.

Inventory Valuation. Inventories are comprised of finished products, harvest costs and materials for consumption. Inventories are recorded at average acquisition or production cost, not exceeding market value. The plantation period costs correspond to the expenses incurred in connection with the maintenance of our sugarcane plantations, which are charged to the production costs of the succeeding harvest. Inventories of materials for consumption are classified as current assets based on our estimates of when they will be consumed. In determining inventory market values, substantial consideration is given to expected product selling prices. We consider various factors, including estimated quantities of slow-moving and obsolete inventory by reviewing on-hand quantities. We then estimate expected selling prices based on our historical recovery rates for sale of slow-moving and obsolete inventory and other factors, such as market conditions. The ethanol and sugar industries are highly competitive which may affect profitability and therefore we continuously review whether the inventory cost of these products exceeds their market value. In recent years we have not experienced losses related to the excess of costs over market value and we have also not experienced slow moving inventories related to ethanol and sugar. Estimates may differ from actual results due to the quantity, quality and mix of products in inventory, consumer preferences and economic conditions.

Valuation of Goodwill. We evaluate the impairment of goodwill of our sugar and ethanol operating segments annually (or on an interim basis if certain indicators are present) by comparing the fair value of the operating segments to their carrying values, which we estimate using a discounted cash flow method. In applying this methodology, we rely on a number of factors, including actual operating results, future business plans, economic projections and market data. Future adverse changes in market conditions or poor operating results of the operating segments and increase in competition could result in an inability to recover the carrying value of the investments, thereby requiring impairment charges in the future.

Valuation of Long-lived Assets and Identified Intangible Assets with Defined Useful Lives. We evaluate long-lived assets and identifiable intangible assets with defined useful lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the estimated undiscounted cash flows change in the future, we may be required to reduce the carrying amount of an asset. In order to estimate future cash flows, management makes various assumptions and estimates. These assumptions and estimates can be influenced by different external and internal factors, such as economic and industry trends, interest rates, foreign exchange rates and changes in the business strategies and in the type of products offered to the market. No events or changes in circumstances have indicated that the carrying amount of an asset may not be recoverable and accordingly, no impairment was required.

Derivative and Foreign Exchange Management Activities. We recognize all derivatives as assets and liabilities at their fair values. The fair values are determined using widely accepted valuation models that incorporate quoted market prices and dealer quotes and reflect assumptions about currency fluctuations based on current market conditions. The aggregate fair values of derivative instruments used to manage currency exposures are sensitive to changes in market conditions and to changes in the timing and amounts of forecasted exposures. Based on our currency hedged position as of March 31, 2010, we believe that a hypothetical 1% appreciation of the dollar against the *real* would reduce our asset carrying value by US\$13.9 million as a result of a reduction in our financial income. The aggregate fair values of derivative instruments used to manage commodity exposures are sensitive to changes in market prices of the commodities. Based on our commodity hedged position as of March 31, 2010, we believe that a hypothetical US\$10 per ton increase in sugar prices would increase our liability carrying value by US\$11.9 million as a result of a reduction in our financial income.

Income Taxes and Deferred Tax Assets. We are also required to estimate income tax provisions and amounts ultimately payable or recoverable. Such estimates involve significant interpretations of regulations and are inherently very complex. Resolution of income tax treatments may not be known for many years after completion of any fiscal year. We recognize deferred tax assets and liabilities based on the differences

between the financial statement carrying amounts and the tax basis of assets and liabilities, as well as on the tax loss carry forward, using prevailing tax rates. We regularly review any deferred tax assets for recoverability and reduce their carrying value, as required, based on projected future taxable income and the expected timing of any reversals of existing temporary differences. If one of our subsidiaries operates at a loss or is unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or the time period within which the underlying temporary differences become taxable or deductible, we evaluate the need to partially or completely reduce the carrying value of our deferred tax assets. Significant management judgment is required in determining any valuation allowance. The principal uncertainty relates to the likelihood of future taxable income from the subsidiary that generated the deferred tax asset. A change in our projections of profitability could result in the need to record a valuation allowance against deferred tax assets, resulting in a negative impact on future results. Based on the weight of available evidence, we have not recorded relevant amount of valuation allowances in recent years and also, we are currently in a net deferred income tax liability position which mitigates the risk of the need for a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized.

Stock-Based Compensation. We account for our stock-based awards to our employees and officers using the fair value method as required by ASC 718 (SFAS No. 123R), share-based payment. ASC 718 (SFAS No. 123R) requires that the compensation cost related to share-based payment transactions, measured based on the fair value of the equity or liability instruments issued, be recognized in our consolidated financial statements. Determining the fair value of options using the Binomial model, or other currently accepted option valuation models, requires highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated fair value on the grant date.

Provisions for Contingencies. We create a provision for contingencies whenever there is a legal obligation as a result of a past event, and it is probable that an economic resource is required to reach a settlement as to this obligation. Provisions are registered based on the best estimates of the risks involved and analyzed on a case-by-case basis. Management continuously evaluates the estimates and assumptions used to establish the provision for contingencies based on relevant facts and circumstances that may have a material effect on the result of operations and shareholders equity. Even though management believes that the provisions for contingencies are presently adequate, the establishment of provisions for judicial proceedings involves estimates that can result in the final amount being different than the provisions as a result of uncertainties that are inherent to the establishment of the provision. Additionally, the Brazilian authorities normally take a long time to reach a final decision on each case and we are unable to estimate the length that the contingencies will ultimately be resolved. In case the amount of provisions for contingencies is lower than the amount actually due, an increase in provisions would be necessary.

Hedging Transactions and Exposures

We hedge part of the future price risk of our sugar production estimated to be exported and exchange rate derivative transactions, using future contracts, options and swaps.

Our derivatives are marked to market and recorded as financial income/ expenses, as appropriate. Therefore, the gain or loss is not necessarily recorded in the same period as the underlying object of the hedge transaction, as we do not use the hedge accounting methodology.

At March 31, 2010 we had 897 thousand tons of sugar hedged through Sugar # 11 Future contracts at the average price of US\$0.19 per pound while the NY11 price was US\$0.17 per pound. The market value of the future derivatives portfolio on March 31, 2010 was US\$55.0 million. We also had 65.0 thousand tons of white sugar hedged outstanding at March 31, 2010, at the average price of US\$95.8 per ton while the London#5 price was US\$504 per ton (the first screen price), resulting in a positive market value of US\$7.9 million. Additionally, we had purchased put and call options related to sugar derivatives with a fair market value of US\$6.6 million. We had foreign currency derivatives with a notional amount of US\$489.6 million hedged through futures and forward contracts (net position) at the average rate of R\$1.99 per US\$1.00, while the existing exchange rate was R\$1.781 per US\$1.00, resulting in a market value of US\$20.7 million. Additionally, we also were party to put options with notional amounts equivalent to approximately US\$372.6

million and with positive fair market value of US\$8.8 million. We had a notional of US\$200 million swap 1.199 fixed rate against 3 month Libor with Morgan Stanley resulting in a negative market value of US\$0.23 million and a notional US\$100 million swap 1.199 fixed rate against 3 month Libor with Standard Bank resulting in a negative market value of US\$0.12 million.

Our hedging strategy seeks to protect us from cash flow risks caused by commodities price and exchange rates fluctuations. However, because we record derivatives at fair value, fluctuations in such derivative prices may cause significant fluctuations in our net profit in the future resulting from the mark to market accounting. We recorded gains of US\$151.1 million relating to our derivative transactions in fiscal year 2010, gains of US\$22.9 million relating to transition fiscal year 2009 and gains of US\$49.3 million relating to fiscal year 2008.

A. Operating Results

The following discussion of our results of operations is based on the financial information derived from our audited consolidated financial statements prepared in accordance with U.S. GAAP. In the following discussion, references to increases or decreases in any year are made by comparison with the corresponding prior year, as applicable, except as the context otherwise indicates.

Fiscal Year Ended March 31, 2010 compared to Transition Fiscal Year Ended March 31, 2009

Consolidated Results

The following points should be taken into consideration in the comparison of the fiscal year ended March 31, 2010 with the transition fiscal year ended March 31, 2009:

- the change in the end of the fiscal year from April 30 to March 31 in the transition fiscal year 2009. Transition fiscal year 2009 consisted of 11 months only, from May 2008 to March 2009, while fiscal year 2010 consisted of 12 months, from April 2009 to March 2010;
- the change in the presentation of depreciation expense criteria in our consolidated financial statements. In fiscal year 2010, depreciation was recorded under the cost of goods sold and operating expenses, while in transition fiscal year 2009 it was recorded under production costs (into production of goods and services rendered) and operating expenses;
- CCL's results were consolidated from December 2008. CCL's results for transition fiscal year 2009 corresponded to the period from December 2008 to March 2009, as compared to 12 month consolidation for fiscal year 2010;
- Cosan sold the aviation fuel distribution business in June 2009. Consequently, our consolidated results no longer include this business segment; and
- Nova América's results were consolidated after June 2009.

Our results for the fiscal year ended December 31, 2010 are not fully comparable with our results of operations for fiscal years 2009 and 2008 due to our acquisitions and restructurings. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Results of Operations—Acquisitions, Partnerships and Corporate Restructurings."

The following table sets forth audited consolidated financial information for fiscal year ended March 31, 2010 and transition fiscal year ended March 31, 2009.

| | For Fiscal Year Ended March 31, 2010 and for Transition Fiscal Year Ended March 31, 2009 | | |
|--|---|-------------|--------------------|
| | 2010 | 2009 | % Variation |
| | (in millions of US\$, except percentages) | | |
| Statement of Operations: | | | |
| Net sales: | US\$8,283.2 | US\$2,926.5 | 183.0 |
| Cost of goods sold..... | (7,223.3) | (2,621.9) | 175.5 |
| Gross profit | 1,059.9 | 304.6 | 248.0 |
| Selling expenses..... | (470.3) | (213.3) | 120.5 |
| General and administrative expenses | (271.3) | (140.1) | 93.6 |
| Operating profit (loss)..... | 318.3 | (48.8) | * |
| Other income (expenses): | | | |
| Financial income (expense), net..... | (51.4) | (95.3) | * |
| Foreign exchange variation, net..... | 255.1 | (275.5) | * |
| Gain on tax recovery program..... | 144.9 | — | * |
| Other expenses, net..... | 34.1 | (2.3) | * |
| Income (loss) before income taxes and equity in income (loss) of affiliates | 700.9 | (421.9) | * |
| Income taxes (expense) benefit | (184.8) | 144.7 | * |
| Income (loss) before equity in income (loss) of affiliates | 516.2 | (277.2) | * |
| Equity in income (loss) of affiliates | (10.3) | 6.1 | * |
| Net income (loss) | 505.9 | (271.1) | * |
| Loss (net income) attributable to noncontrolling interests | (174.0) | 83.0 | * |
| Net income (loss) attributable to Cosan Ltd. | 331.9 | (188.1) | * |

* Not a meaningful comparison.

Net Sales

Net sales increased by 183.0%, to US\$8,283.2 million in fiscal year 2010 from US\$2,926.5 million in transition fiscal year 2009, primarily as a result of:

- the consolidation of CCL's results for the 12 month period ended March 31, 2010, generating a net revenue of US\$5,436.2 million, or 65.6% of our consolidated revenues, as compared to the consolidation of four months of CCL's results generating a net revenue of US\$1,549.4 million, or 52.9% of our consolidated net revenues, in transition fiscal year 2009;
- the inclusion of Nova América's results, which were consolidated in June 2009 after the merger into Cosan, generating a net revenue of US\$625.9 million;
- record international and domestic sugar prices, 28.9% and 54.4% above previous year;
- increase of the sales volume due to: (1) the consolidation of Nova América; (2) the higher share of sugar in the product mix; (3) the reduction in carryover inventory; and (4) the distortion in the comparison with the previous fiscal year, which had only 11 months;
- a 43.6% increase in our ethanol sales volume to 567.3 million gallons (2,147.5 million liters) in fiscal year 2010 from 395.0 million gallons (1,495.1 million liters) in transition fiscal year 2009, and a 35.5% increase in our sugar sales volumes to 4,134.6 thousand tons in fiscal year 2010 from 3,051.7 thousand tons in transition fiscal year 2009.

Net sales from exports of sugar and ethanol were US\$1,466.7 million in fiscal year 2010, which represented 17.7% of our net sales for this period compared to 31.8% of our net sales in transition fiscal year 2009. This decrease in the relative contribution of exports to total net sales was primarily due to the increase

of our consolidated net sales related to the consolidation of 12 months of CCL and to a 6.8% appreciation of the *real* against the US dollar to a daily average of R\$1.8662 per US dollar in fiscal year 2010, from a daily average of R\$2.0010 per US dollar in the transition fiscal year 2009.

| | For Fiscal Year Ended March 31, 2010 and for Transition Fiscal Year Ended March 31, 2009 | | |
|--|---|-------------|--------------------|
| | 2010 | 2009 | % Variation |
| | (in millions of US\$, except percentages) | | |
| Net sales (in U.S. GAAP): | US\$8,283.2 | US\$2,926.5 | 183.0 |
| Sugar and ethanol net sales (in Brazilian GAAP): | 2,882.9 | 1,561.1 | 84.7 |
| Sugar sales | 1,810.0 | 900.4 | 101.0 |
| Ethanol sales | 936.5 | 586.6 | 59.6 |
| Energy cogeneration | 50.1 | 7.5 | 565.8 |
| Other sales | 86.3 | 66.5 | 29.7 |
| CCL (fuel distribution) net sales (in Brazilian GAAP): | 5,436.2 | 1,549.4 | 250.9 |
| Fuels | 5,057.0 | 1,443.5 | 250.3 |
| Lubricants | 339.8 | 93.0 | 265.4 |
| Other | 39.5 | 12.9 | 207.2 |
| Rumo Logística (sugar logistics) net sales (in Brazilian GAAP): | 84.8 | 26.9 | 215.7 |
| Port lifting | 76.2 | 26.9 | 183.5 |
| Transports | 8.6 | — | * |
| Adjustments and eliminations: | (120.8) | (210.9) | * |

Sugar and Ethanol. Net sales from sugar and ethanol increased by 84.7% to US\$2,882.9 million in fiscal year 2010, from US\$1,561.1 million in transition fiscal year 2009, primarily as a result of:

- a 35.5% increase in our sugar sales volume to 4,134.6 thousand tons in fiscal year 2010 from 3,051.7 thousand tons in transition fiscal year 2009;
- a 48.0% increase in our average realized price per ton of sugar (including all of the types of sugar that we produce) to US\$437.8 from US\$295.9 per ton in transition fiscal year 2009;
- a 43.6% increase in our ethanol sales volume to 567.3 million gallons (2,147.5 million liters) in fiscal year 2010 from 395.0 million gallons (1,495.1 million liters) in transition fiscal year 2009, mainly due to the upturn in output (50.3 million tons crushed in fiscal year 2010 as compared to 42.6 million in transition fiscal year 2009) and the increased emphasis on ethanol in our production mix (46.0% of Total Sugar Recoverable - TSR converted to ethanol in fiscal year 2010 as compared to 42.8% in transition fiscal year 2009);
- a 10.9% increase in our average realized unit price to US\$1,651.1 per gallon (US\$436.2 per thousand liters) in fiscal year 2010 from US\$1,488.8 per gallon (US\$393.3 per thousand liters) in transition fiscal year 2009, due to an increase in the domestic price; and
- the start in energy production in Serra, Gasa, Costa Pinto, Tarumã and Maracaí mills, resulting in sales of 596.0 thousand MWh of energy.

Sale of sugar and ethanol represented approximately 35% and 53% of total net sales in fiscal year 2010 and transition fiscal year 2009, respectively. This decrease in the relative contribution of sugar and ethanol to total net revenues was primarily due to the increase of our consolidated net sales related to the consolidation of 12 months of CCL compared to only four months in the previous fiscal year.

CCL (fuel distribution and lubricants). Net sales from CCL increased by 250.9% to US\$5,436.2 in fiscal year 2010, from US\$1,549.4 million in transition fiscal year 2009, primarily as a result of:

- the consolidation of CCL's results for the 12 month period ended March 31, 2010, which represents 65.6% of our consolidated revenues, as compared to the consolidation of four months of CCL's results generating a net revenue of US\$1,549.4 million, representing 52.9% of our consolidated net revenues, in transition fiscal year 2009; and
- a 226.6% increase in our fuel sales volume to 1,450.5 million gallons (5,490.6 million liters) in fiscal year 2010 from 444.1 million gallons (1,681.2 million liters) in transition fiscal year 2009, mainly due to the increase in ethanol sales and the acquisition of new corporate clients.

Rumo Logística (sugar logistics). Net sales from the Rumo Logística increased by 215.7% to US\$84.7 million in fiscal year 2010 from US\$26.9 million in transition fiscal year 2009, mainly as a result of a 131.4% increase in the loading services volume to 8.1 million tons in fiscal year 2010 from 3.5 million tons in the transition fiscal year 2009 and to the transportation agreement entered into with ALL that became effective in the fourth quarter of 2010 and generated additional revenue of US\$8.6 million.

Adjustments and eliminations. The components of our net revenues are prepared in accordance with Brazilian GAAP. Accordingly, we have to perform certain elimination and adjustments in order to prepare our U.S. GAAP financial statements. These adjustments corresponded to US\$120.8 million in fiscal year 2010, as compared to US\$210.9 million in transition fiscal year 2009.

Cost of Goods Sold

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

Cost of goods sold increased by 175.5% to US\$7,223.3 million in fiscal year 2010 from US\$2,621.9 million in transition fiscal year 2009. This increase was primarily due to an increase in the production of sugar and ethanol, the first full year of consolidation of CCL's results, an increase in the sugar logistics activities and the impact of the acquisition of Nova América, generating an increase of US\$456.1 million.

Sugar and ethanol. Cost of sugar and ethanol sold increased by 74.9% to US\$2,013.0 million in fiscal year 2010 from US\$1,151.1 million from transition period 2009, primarily as a result of the increase in the production of sugar, ethanol and energy, the consolidation of Nova América results, the 6.6% decrease in TSR obtained from sugarcane as a consequence of weather conditions and the 25.5% increase in TSR price (due to higher sugar prices), which were partially offset by gains in efficiency in the process of mechanization of the harvest.

CCL (fuel distribution). Cost of fuel distributed increased to US\$4,994.4 in fiscal year 2010 from US\$1,392.7 million in transition fiscal year 2009 primarily as a result of the consolidation of the first full fiscal year of CCL's operations.

Rumo Logística (sugar logistics). Cost of other products and services increased to US\$61.9 million in fiscal year 2010 from US\$20.0 million in transition fiscal year 2009 primarily as a result of the increase in the logistics activities.

Selling Expenses

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

Selling expenses increased by 120.5% to US\$470.3 million in fiscal year 2010 from US\$213.3 million in transition fiscal year 2009. This increase resulted primarily from the consolidation of CCL's results for the 12 month period ended March 31, 2010 (US\$214.4 million), as compared to the consolidation of four months of CCL's results in transition fiscal year 2009 (US\$57.2 million), as well as to the merger of Cosan with Nova América (US\$48.9 million).

General and Administrative Expenses

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

General and administrative expenses increased by 93.6% to US\$271.3 million in fiscal year 2010 from US\$140.1 million in transition fiscal year 2009. This increase resulted primarily from: (1) the consolidation of CCL's results for the 12 month period ended March 31, 2010 (US\$49.7million), as compared to the consolidation of four months of CCL's results in transition fiscal year 2009; (2) the merger of Cosan with Nova América (US\$12.7 million) and the consolidation of Teaçú by Rumo Logística; (3) provisioning of management and employee bonus payments (US\$22.5 million); (4) upturn of around US\$10.7 million in expenses from consulting services, due to projects such as the Shared Services Center, or CAN, the implementation of EVA and various other IT projects which are non-recurring events; and (5) approximately US\$6.0 million from the pay rise following the collective bargaining agreement and increase in other general expenses, such as travel expenses driven by geographic dispersion from our current different offices sites.

Financial Income (expense), Net

Financial income (expense), net in fiscal year 2010 totaled a negative amount of US\$51.5 million compared to negative amount of US\$95.3 million in transition fiscal year 2009.

| | <u>2010</u> | <u>2009</u> |
|-------------------------------|---------------|---------------|
| Financial expenses..... | (294.9) | (173.3) |
| Financial income | 92.4 | 55.2 |
| Gain on derivatives, net..... | 151.1 | 22.9 |
| | <u>(51.5)</u> | <u>(95.3)</u> |

Financial expenses in fiscal year 2010 totaled US\$294.9 million compared to financial expenses of US\$173.3 million in transition fiscal year 2009. This increase was primarily the result of: (1) increase on the interest due to the merger of Nova América, which has been consolidated as of June 2009 with approximately US\$600 million in additional debt, and (2) the funding for the acquisition of CCL, which in 2009 impacted only 4 months while it was included for a full year in 2010.

Financial income in fiscal year 2010 totaled US\$92.4 million compared to US\$55.2 million in transition fiscal year 2009. This increase is a result of US\$14.5 million in gains related to sales of warranties occurred in 2010 and also additional financial income from our investments in cash equivalents.

Gain on derivatives, net totaled US\$ 151.1 million compared to US\$ 22.9 in the transition fiscal year 2009. Foreign exchange derivatives represented a gain of US\$236.1 million in 2010 mainly due to devaluation of the US dollar against the *reais*, which changed from R\$2.3152 at beginning of the year to

R\$1.781 at the end. We had a loss of US\$85.0 million related to commodity derivatives mainly due to the variation of Sugar #11 during the year, which changed from ¢US\$12.73/lb at the beginning of the year to ¢US\$16.59/lb at the end, taking into consideration our natural sell position (we are generally a seller of futures).

Foreign exchange variation, net

The exchange impact was in turn mainly due to the 37% appreciation of the US dollar against the *real* in fiscal year 2009 (R\$2.3152 per US dollar as of December 31, 2009 as compared to R\$1.6872 per US dollar as of December 31, 2008) and the contrary effect in fiscal year 2010, when the dollar fell by 23.1% against the *real* (R\$2.3152 per US dollar as of December 31, 2009 as compared to R\$1.7810 per US dollar as of December 31, 2010). The foreign-currency debt has also been increasing in recent years, US\$2,021.3 million in 2010, US\$993.4 million in 2009 and US\$948.3 million in 2008.

Gain on Tax Recovery Program

We recorded a gain on tax recovery program of US\$144.9 million in fiscal year 2010. We had no gains or losses under any tax recovery program in fiscal year 2009.

Other

Other resulted in income of US\$34.1 million in fiscal year 2010 compared to an expense of US\$2.3 million in transition fiscal year 2009, mainly resulting from the residual value of fixed assets disposals and the sale of the aviation fuel distribution business.

Income Taxes (Expense) Benefit

Income tax expense was US\$184.8 million in fiscal year 2010, representing taxable income at the current Brazilian statutory rate of 34% adjusted for non-deductible expenses and non-taxable income in accordance with Brazilian tax law and by the exempted financial income at the Cosan Limited level, resulting in an effective tax rate of 26.4%, compared to an effective tax rate of 34.3% in transition fiscal year 2009, when we recorded a tax benefit of US\$144.7 million. The lower effective income tax rate in 2010 was due primarily to a non-taxable item related to the gain on the tax recoverable program MP 470. See note 17 to our financial statements included in this annual report.

Net Income (Loss)

As a result of the foregoing, we incurred a net income of US\$331.9 million in fiscal year 2010, compared to a net loss of US\$188.1 million in transition fiscal year 2009.

Transition Fiscal Year Ended March 31, 2009 compared to Fiscal Year Ended April 30, 2008

Consolidated Results

The following table sets forth audited consolidated financial information for the transition fiscal year ended March 31, 2009, the fiscal year ended April 30, 2008 and the eleven months ended March 31, 2008.

We previously operated in four segments: sugar; ethanol; fuel distribution and other products and services. The sugar segment operated and produced a broad variety of sugar products, including raw, organic, crystal and refined sugars, which are sold to a wide range of customers in Brazil and abroad. The ethanol segment produced and sold hydrous, anhydrous and industrial ethanol, which are sold primarily to the Brazilian market. The fuel distribution segment principally distributed fuels but also produced and sold lubricants. The other products and services segment consisted primarily of port services that we provide to third parties, consumer products under the “Da Barra” brand, electricity sales and diesel fuel sales to our agricultural services providers. In 2010, we changed our segment presentation. See “Item 5. Operating and Financial Review and Prospects—Segment Presentation.”

**For Transition Fiscal Year Ended March 31, 2009 and For
Fiscal Year Ended April 30, 2008**

| | 2009 | 2008 | % Variation |
|--|---|-------------|--------------------|
| | (in millions of US\$, except percentages) | | |
| Statement of Operations: | | | |
| Net sales: | US\$2,926.5 | US\$1,491.2 | 96.2% |
| Cost of goods sold | (2,621.9) | (1,345.6) | 94.8 |
| Gross profit..... | 304.6 | 145.6 | 109.1 |
| Selling expenses | (213.3) | (168.6) | 26.5 |
| General and administrative expenses..... | (140.1) | (115.1) | 21.7 |
| Operating loss..... | (48.8) | (138.1) | (64.7) |
| Other income (expenses): | | | |
| Financial income (expense), net | (370.8) | 116.8 | * |
| Other expenses, net..... | (2.3) | (3.7) | (37.6) |
| Loss before income taxes, equity in income of affiliates and minority interest..... | (421.9) | (25.0) | * |
| Income taxes (expense) benefit | 144.7 | 19.8 | * |
| Loss before equity in income of affiliates and minority interest..... | (277.2) | (5.2) | * |
| Equity in income (loss) of affiliates..... | 6.1 | (0.2) | * |
| Loss (net income) attributable to noncontrolling interests..... | 83.0 | 22.0 | * |
| Net income (loss)..... | US\$ (188.1) | US\$16.6 | * |

* Not a meaningful comparison.

Net Sales

Net sales increased by 96.2%, to US\$2,926.5 million in 2009 from US\$1,491.2 million in fiscal year 2008, primarily as a result of:

- the inclusion in transition fiscal year 2009 of the four months results of CCL subsequent to its acquisition, generating a net revenue of US\$1,440.3 million, which represents 49.2% of consolidated net revenues; offset by
- a 2.7% decrease in our ethanol sales volume to 395.0 million gallons (1,495.1 million liters) in transition fiscal year 2009 from 406.1 million gallons (1,537.1 million liters) in fiscal year 2008, and a 2.0% decrease in our sugar sales volumes to 3,051.7 thousand tons in transition fiscal year 2009 from 3,114.4 thousand tons in fiscal year 2008.

Net sales from exports of sugar, ethanol and services were US\$929.7 million in transition fiscal year 2009, which represented 31.8% of our net sales for this period compared to 55.2% of our net sales in fiscal year 2008. This decrease in the relative contribution of exports to total net sales was primarily caused by a 9.4% devaluation of the *real* against the US dollar to a daily average of R\$2.0010 per US dollar in transition fiscal year 2009, from a daily average of R\$1.8281 per US dollar in fiscal year 2008.

Sugar and Ethanol. Net sales from sugar and ethanol increased by 0.2% to US\$1,391.8 million in fiscal year 2009, from US\$1,389.8 million in fiscal year 2008, primarily as a result of:

- a 9.7% increase in the average realized price per ton (including all of the types of sugar that we produce) to US\$276.3 per ton in transition fiscal year 2009 from US\$251.9 per ton in fiscal year 2008; offset by
- a 2.0% decrease in our sugar sales volume to 3,051.7 thousand tons in transition fiscal year 2009 from 3,114.4 thousand tons in fiscal year 2008; and
- a 2.7% decrease in our ethanol sales volume to 395.0 million gallons (1,495.1 million liters) in transition fiscal year 2009 from 406.1 million gallons (1,537.1 million liters) in fiscal year 2008, mainly due to the

upturn in output (43.1 million tons crushed in transition fiscal year 2009 as compared to 40.3 million in fiscal year 2008) and the increased emphasis on ethanol in our production mix (49% of TSR converted to ethanol in transition fiscal year 2009 as compared to 44% in fiscal year 2008); and

- a 6.7% decrease in our average realized unit price to US\$1.389 per gallon (US\$367.0 per thousand liters) in transition fiscal year 2009 from US\$1.489 per gallon (US\$393.4 per thousand liters) in transition period 2008, due to the combination of a decrease in the domestic price and the appreciation of the *real*.

Sales of sugar and ethanol represented approximately 53% and 98% of total net sales in transition fiscal year 2009 and fiscal year 2008, respectively. This decrease in the relative contribution of sugar to total net revenues was primarily caused by the consolidation of four months of results of CCL in 2009 subsequent to its acquisition.

CCL (fuel distribution). Net sales from CCL in 2009 represent the sales of CCL since the date of its acquisition, December 1, 2008.

Other products and services. Other products and services consist primarily of electricity sales, port services that we provide to third parties, consumer products under the Da Barra brand and fuel diesel sales to our agricultural services providers.

Net sales from other products and services decreased by 7.5% to US\$94.4 million in transition fiscal year 2009 from US\$102.1 million in fiscal year 2008.

Cost of Goods Sold

Cost of goods sold increased by 94.8% to US\$2,621.9 million in transition fiscal year 2009 from US\$1,345.6 million in fiscal year 2008. This increase was primarily due to the inclusion of the results of CCL since its acquisition on December 1, 2008, generating a cost of goods sold of US\$1,388.3 million, representing 53.0% of cost. In *reais*, cost of goods sold in transition fiscal year 2009 was 129.2% higher than in fiscal year 2008.

Sugar and Ethanol. Cost of sugar sold decreased by 10.5% to US\$629.3 million in transition fiscal year 2009 from US\$703.5 million in transition period 2008, primarily as a result of the devaluation of the *real* against the U.S. dollar as discussed above. Cost of ethanol sold decreased by 6.5% to US\$521.8 million in the transition fiscal year 2009 from US\$558.2 million in fiscal year 2008 primarily as a result of: (1) a 4.5% decrease in the average unit cost per gallon (thousand liters) of ethanol to US\$1.321 per gallon (US\$349.0 per thousand liters) in 2009 from US\$1.384 per gallon (US\$365.6 per thousand liters) in 2008; and (2) the devaluation of the *real* against the U.S. dollar as discussed above.

CCL (fuel distribution). As our fuel distribution business has only been a part of Cosan since December 1, 2008, we have no meaningful comparative data to provide for periods before this date. The fuel distribution in the transition fiscal year 2009 represented 53% of our cost of goods sold.

Other products and services. Cost of other products and services decreased by 1.8% to US\$82.4 million in transition fiscal year 2009 from US\$83.9 million in fiscal year 2008. These costs were primarily denominated in *reais*, which devaluated 37.2% against the U.S. dollar, resulting in increased costs.

Selling Expenses

Selling expenses increased by 26.5% to US\$213.3 million in transition fiscal year 2009 from US\$168.6 million in 2008. This increase resulted primarily from the inclusion of CCL's results for four months, generating selling expenses of US\$49.8 million, representing 23.4% of cost.

General and Administrative Expenses

General and administrative expenses increased by 21.7% to US\$140.1 million in transition fiscal year 2009 from US\$115.1 million in fiscal year 2008. This increase was primarily due to the partial consolidation of four month results of CCL, generating selling expenses of US\$22.9 million, representing 16.3% of cost.

Financial Income (expense), Net

Financial expenses, net in transition fiscal year 2009 totaled a negative amount of US\$370.8 million compared to financial income (expense) net of US\$116.8 million in fiscal year 2008.

Financial Income

Our financial income primarily consists of: (1) gains on monetary variation related to our financial investments; (2) gains on foreign exchange variations related to our foreign currency-denominated indebtedness; (3) gains on derivatives (swaps, futures, forwards and options); (4) income from financial investments; and (5) financial income related to compensation awarded in a legal proceeding against the Brazilian federal government.

Financial income in transition fiscal year 2009 totaled US\$365.0 million compared to financial income of US\$274.7 million in fiscal year 2008. This increase was primarily the result of:

- a US\$97.5 million increase in financial income from derivative transactions from US\$179.0 million in fiscal year 2008 to US\$276.5 million in transition fiscal year 2009 as a result of the changes in market prices of sugar and the foreign exchange rate effect on derivative transactions; and
- a reduction of US\$34.8 million in income from financial investments, related to the decrease of the average balance during the year and a decrease in the average interest rate as a consequence of the decrease in the CDI rate.

Financial Expenses

Our financial expenses primarily consist of: (1) accrued interest on our indebtedness; (2) losses on monetary variation related to our financial investments; (3) losses on foreign exchange variations related to our foreign currency-denominated indebtedness; (4) losses on derivatives (swaps, futures, forwards and options); (5) fees, commissions and other charges paid to financial institutions; and (6) interest and fees paid in connection with the pre-payment of the aggregate principal amount of our US\$200.0 million 9.0% senior notes due 2009.

Financial expenses in transition fiscal year 2009 totaled US\$735.8 million compared to financial expenses of US\$157.9 million in fiscal year 2008. This increase was primarily the result of:

- a US\$494.2 million decrease in gains from foreign exchange variation on our U.S. dollar denominated debt, from US\$185.2 million in fiscal year 2008 to US\$308.9 million in transition fiscal year 2009 as a result of a 37.2% devaluation of the Brazilian *real* against the U.S. dollar;
- a US\$123.9 million increase in financial expenses on derivative transactions from US\$129.7 million in fiscal year 2008 to US\$253.6 million in transition fiscal year 2009 as a result of the changes in market prices for sugar and foreign exchange rate effect on derivative transactions and new debt (CCL acquisition promissory notes);

Other Expenses, Net

Other expenses were US\$2.3 million in transition fiscal year 2009, compared to other income of US\$3.7 million in fiscal year 2008, mainly resulting from the residual value of fixed assets disposals.

Income Tax Benefit

Income tax benefit totaled US\$144.7 million in transition fiscal year 2009, representing taxable income at the current Brazilian statutory rate of 34% adjusted for non-deductible expenses and non-taxable income in accordance with Brazilian tax law and by the exempted financial income at the Cosan Limited level, resulting in an effective tax rate of 34.3%, compared to an effective tax rate of 79.2% in fiscal year 2008, when we recorded a tax benefit of US\$19.8 million.

Net Income (Loss)

As a result of the foregoing, we incurred a net loss of US\$188.1 million in transition fiscal year 2009, compared to a net income of US\$16.6 million in fiscal year 2008.

B. Liquidity and Capital Resources

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

- our ability to generate cash flow from our operations;
- the level of our outstanding indebtedness and related accrued interest, which affects our net financial expenses;
- prevailing Brazilian and international interest rates, which affects our debt service requirements;
- our ability to continue to borrow funds from Brazilian and international financial institutions and to obtain pre-export financing from certain of our customers;
- our capital expenditure requirements, which consist primarily of investments in crop planting and the purchase of equipment;
- credit ratings, including factors that may materially influence credit ratings, implications of potential changes in ratings and management's expectations; and
- covenant compliance, including the implications of a breach of financial or other covenants and the company's capacity for additional borrowing under its covenants.

Our cash needs have traditionally consisted of working capital requirements, servicing of our indebtedness, capital expenditures related to investments in operations, maintenance and expansion of plant facilities, 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 of business and agricultural land through seller financing, third party-financing or capital contributions by our shareholders.

In fiscal year 2010, the cash flow used in investing activities was funded principally by operating activities. In transition fiscal year 2009, the cash flow used in investing activities was funded principally by increased borrowing, while in fiscal year 2008, it was funded principally by the net proceeds of our initial public offering. In transition fiscal year 2009, the cash flow generated by operations was used primarily for working capital requirements and to service our outstanding debt obligations. As of March 31, 2010, our consolidated cash, cash equivalents and marketable securities amounted to US\$623.7 million as compared to \$508.8 million as of March 31, 2009.

Cash Flow from Operating Activities

We had net cash flows from operating activities of US\$811.0 million in fiscal year 2010, compared to US\$256.6 million in transition fiscal year 2009. This increase was primarily attributable to the 276% increase in gross profit as a consequence of the increase in the sugar and ethanol segment contribution margin (net

prices per ton *minus* unitary costs per ton) and the inclusion of the results of our subsidiary CCL for fiscal year 2010.

We had net cash flows from operating activities of US\$256.6 million in transition fiscal year 2009, compared to US\$57.6 million in fiscal year 2008. This increase was primarily attributable to the 109.1% increase in gross profit as a consequence of the 169.5% increase in the sugar unit contribution margin (net prices per ton *minus* unitary costs per ton) and the results of four months of our subsidiary CCL.

We had net cash flows from operating activities of US\$57.6 million in 2008, compared to US\$283.9 million in fiscal year 2007. This decrease was primarily attributable to the 70.1% decrease in gross profit, as a consequence of the significant decreases in ethanol and sugar prices, as well as by the concentration of accounts receivable at the end of fiscal year 2008.

Cash Flow Used in Investing Activities

We had net cash flows used in investing activities of US\$1,044.8 million in fiscal year 2010, compared to US\$787.8 million in transition fiscal year 2009. This variation was attributable to an increase of 78.4% to US\$1,081.5 million in fiscal year 2010 from US\$606.2 million in transition fiscal year 2009 for capital expenditures for property plant and equipment, in particular, our greenfield and co-generation projects.

We had net cash flows used in investing activities of US\$787.8 million in transition fiscal year 2009, compared to US\$1,441.7 million in fiscal year 2008. This variation was attributable to:

- an increase in the amount invested in acquisitions, from US\$102.0 million to US\$930.4 million;
- an investment in marketable securities of US\$671.0 million in fiscal year 2008 while in transition fiscal year 2009 we had a withdrawal of US\$558.8 million; and
- proceeds from sales of property, plant and equipment in 2009 of US\$160.7 million, mainly related to the aviation business.

Cash Flow from Financing Activities

We had net cash flows from financing activities of US\$152.9 million in fiscal year 2010, compared to US\$871.9 million in transition fiscal year 2009. This decrease was primarily attributable to amortizations of existing debt in the amount of US\$1,839.5 million, partially offset by new debt of US\$2,020.7 million during fiscal year 2010. Unlike the transition fiscal year 2009 and fiscal year 2008, no substantive amounts of cash were raised from a common stock offering in fiscal year 2010.

We had net cash flows from financing activities of US\$871.9 million in transition fiscal year 2009, compared to US\$1,023.3 million in fiscal year 2008. This decrease was primarily attributable to the reduction in the proceeds from the issuance of common stock from US\$1,118 million in fiscal year 2010 to US\$200 million in transition fiscal year 2009 partially offset by increased borrowing in transition fiscal year 2009 in the amount of US\$672 million.

We had net cash flows from financing activities of US\$1,023.3 million in fiscal year 2008, which was primarily attributable to the net proceeds from the issuance of our initial public offering in fiscal year 2008 and for the proceeds received from the minority shareholders who exercised their tag-along rights in connection with the capital increase of a subsidiary.

Working Capital

At March 31, 2010, we had working capital of US\$990.4 million, compared to US\$362.7 million at March 31, 2009, primarily attributable to:

- a decrease in current portion of long-term debt, from US\$781.7 million to US\$471.1 million related to restructuring of our indebtedness;
- an increase in trade accounts receivable, from US\$258.9 million to US\$430.3 million related to the consolidation of Nova América;
- an increase in derivative financial instruments, from US\$7.4 million to US\$129.5 million related to the gains in hedge instruments at March 31, 2010; and
- an increase in cash and cash equivalents, from US\$508.8 million to US\$623.7 million.

At March 31, 2009, we had working capital of US\$362.8 million, compared to US\$1,503.8 million at April 30, 2008, primarily attributable to:

- a decrease in marketable securities and cash and cash equivalents, from US\$1,082.9 million at April 30, 2008 to US\$508.8 million at March 31, 2009; and
- an increase in current portion of long-term debt, from US\$653.1 million to US\$743.5 million related to the acquisition of CCL and US\$99.1 million for energy cogeneration.

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

Capital Expenditures

Our capital expenditures in property, plant and equipment, including acquisitions (net of cash acquired), expenditures for crop formation and expenditures for purchases of land, were US\$1,084.5 million in fiscal year 2010 compared to US\$1,375.9 million in transition fiscal year 2009, and US\$744.8 million in fiscal year 2008. Excluding our acquisitions, our operating capital expenditures were US\$1,081.5 million in fiscal year 2010 compared to US\$606.2 million in transition fiscal year 2009 and US\$642.9 million in fiscal year 2008.

Our capital expenditures in property, plant and equipment in fiscal year 2010 consisted of:

Sugar and ethanol

- Investments in sugar cane planting totaled R\$211.9 million, representing a return to historical levels. We had 53,600 hectares of planted area in fiscal year 2010, compared to 28,100 hectares in transition fiscal year 2009. Land preparation costs in unplanted areas are also included in this line. Inter-harvest maintenance investments totaled R\$260.9 million, primarily due to the addition of the Nova América units and the impact of the shorter inter-harvest period, which increased the need for third-party services.
- Investments in health, safety, environmental and sustainability matters totaled R\$45.0 million; the amounts will be recognized separately in order to highlight those investments in our units designed to generate gains in efficiency.
- Investments in mechanization totaled R\$30.5 million, resulting in a mechanization ratio of 64.5%.
- Investments in CAA projects totaled R\$174.2 million, mainly consisting of investments in the industrial and agricultural areas, to increase the productivity and efficiency of the company's units.

- Investments in energy co-generation totaled R\$376.4 million, a 15% increase over transition year 2009, reflecting the conclusion of certain projects (Copi, Gasa and Rafard), the operational start-up of two major projects (Barra and Bonfim) and the beginning of projects in other plants.
- Greenfield capital expenditures totaled R\$462.2 million, associated with the concluding phase of the Jataí (GO) and Caarapó (MS) projects.
- Expansion project expenditures totaled R\$133.4 million, related to the expansion of the Costa Pinto, Gasa, Bonfim, Barra, Tamoio, Ipaussu and Junqueira sugar plants, increasing the company's production capacity by approximately 400,000 tons per year.
- Through our indirect subsidiary Agrícola Ponte Alta S.A., we also acquired 28 ships for R\$12.1 million pursuant to a purchase agreement entered into on October 1, 2009. We had previously leased and used the ships to transport sugarcane to our plant in Jaú, in the district of Potunduva.

Fuel distribution and lubricants

- Capital expenditures of R\$87.8 million were made in improvements to service stations, terminal expansions and renovations. The R\$76 million increase over transition year 2009 was mainly due to the inclusion of a full year of the company's investments for the first time in fiscal year 2010.

Rumo Logística (sugar logistics)

- Rumo Logística began investing in locomotives and rolling stock totaling R\$143.8 million in fiscal year 2010. The company received a BNDES financing line to acquire these assets.

We are continuously searching for opportunities to increase our production capacity of sugar, ethanol and bio-electricity, including the development of greenfield projects. In fiscal year 2010, two new mills, the Jataí mill in the State of Goiás and Caarapó mill in the State of Mato Grosso do Sul (the latter is a project that we took over in its final stage of development after the Nova América acquisition) began operating.

Indebtedness

Our total debt of US\$3,316.7 million at March 31, 2010 was higher than our total debt of US\$2,032.8 million at March 31, 2009. Our short-term debt, comprised of the current portion of our long-term debt and interest accrued, and represented 14.2% of our total indebtedness at March 31, 2010. Our U.S. dollar denominated debt at March 31, 2010 represented 68.0% of our indebtedness. In addition, at March 31, 2010, 75.4% of our total indebtedness was unsecured.

As of March 31, 2010, we had total assets of US\$8,994.9 million compared to US\$5,421.1 million at March 31, 2009. Our total assets increased 65.9%, mainly due to tangible and intangible assets related to the acquisition of Nova América. Our net debt at March 31, 2010 was US\$2,693.1 million, significantly higher than our net debt of US\$1,524.0 million at March 31, 2009, mainly resulting from debt of (1) US\$230.0 million and US\$300.0 million in export pre-payment contracts maturing in 5 years and 3 years respectively, (2) three-year US\$100 million export credit notes; (3) and two-year R\$300.0 million in export credit certificates; (4) US\$350.0 million senior notes 9.50% due 2014 issued by a CCL Finance Limited subsidiary; and (5) US\$386.4 million from BNDES loans. Additionally, in fiscal year 2010 we paid off our remaining outstanding balance of both the US\$200.0 million 9.0% senior notes due in 2009, in the total amount of US\$37.3 million; and IFC Loans of US\$70.0 million 3.89% working capital overdraft, in the total amount of US\$52.2 million.

On June 9, 2009, Cosan Centroeste S.A. Açúcar e Alcool and Barra Bioenergia S.A., obtained approval from BNDES for a loan of approximately R\$639 million to finance their greenfield project in Jataí, in the state of Goiás, and for a loan of approximately R\$149 million for the co-generation project at the Gasa unit, in the state of São Paulo. BNDES will finance approximately 65% and 78% of the total amount to be invested in the Jataí and Gasa projects, respectively, over a period of up to 12 years.

On June 17, 2009, Barra Bioenergia S.A. requested approval from BNDES for a R\$711.4 million credit facility, which will be used for co-generation projects at the Univalem, Ipaussu, Barra and Bonfim units located in the state of São Paulo. The credit facility will be divided into three financing lines, namely: (1) the co-generation line, with an average term of 13 years and cost of TJLP plus 1.92% per annum; (2) the Finance Sustained Investment Program (PSI) credit facility, with a 10-year term and total cost of 4.5% per year, accrued from June 30, 2010; and (3) the social projects line, with a 8-year term at a cost of TJLP. BNDES has already approved this credit facility.

On November 19, 2009, Nova América S.A. Industrial Caarapó, Cosan and Cosan Limited entered into a credit facility agreement with BNDES for a loan of approximately R\$276 million to finance the construction of a sugar and ethanol unit located in Caarapó, in the state of Mato Grosso do Sul

On August 24, 2010, Rumo Logística and its subsidiary, Cosan Operadora Portuária, have entered into a facility agreement with BNDES in the amount of R\$502.4 million for the purposes of building a new terminal port in Itirapina. On December 4, 2009, Rumo Logística and Cosan Operadora Portuária entered into a credit facility agreement with BNDES in the total amount of R\$372.5 million.

Certain of our long-term debt agreements, in particular the export pre-payment contracts (described above), require us to comply with certain financial and negative covenants. Our US\$450.0 million 8.25% perpetual notes, our US\$400.0 million 7.0% senior notes due in 2017 and our indirect subsidiary CCL Finance Limited's \$350.0 million 9.50% Senior Notes due in 2014 limit our ability and the ability of our subsidiaries to enter into certain transactions with shareholders or affiliates, engage in a merger, sale or consolidation transactions, and create liens.

Special Agricultural Financing Program (Programa Especial de Saneamento de Ativos)

To extend the repayment period of debt incurred by Brazilian agricultural producers, the Brazilian government passed Law 9,138 followed by Central Bank Resolution 2,471, which, together, formed the PESA program. PESA offered agricultural producers with certain types of debt the opportunity to acquire CTNs in an effort to restructure their agricultural debt. The face value of the Brazilian treasury bills was the equivalent of the value of the restructured debt, and these securities would mature in 20 years. The acquisition price was calculated as the present value, discounted at a rate of 12.0% per year or at the equivalent of 10.4% of its face value. The face value of the CTNs will be readjusted according to IGP-M plus 12.0% per year. The CTNs were deposited as a guarantee and cannot be sold until the outstanding balance is paid in full. The outstanding balance associated with the principal is adjusted in accordance with the IGP-M until the expiration of the restructuring term, which is also 20 years, at which point the debt will be discharged in exchange for the CTNs. Because the CTNs will have the same face value as the outstanding balance at the end of the term, it will not be necessary to incur additional debt to repay our PESA debt. We joined the PESA program between 1998 and 2003 and the program is structured to automatically settle our PESA debt between 2018 and 2023. Our PESA debt is guaranteed by mortgages on our land.

As of March 31, 2010, our PESA related outstanding debt totaled US\$338.9 million, compared to US\$215.6 million at March 31, 2009. As of March 31, 2010, our CTN credits totaled US\$115.5 million, compared to US\$103.3 million at March 31, 2009. Both increases of PESA and CTN amounts occurred due to the acquisition of Nova América Group. Our total debt, excluding PESA debt, was US\$3,019.5 million at March 31, 2010. Our negative net debt, excluding CTN credits and PESA debt, was US\$2,395.8 million at March 31, 2010.

C. Research and Development, Patents, Licenses, etc.

See "Item 4. Information on the Company—B. Business Overview—Research and Development."

D. Trend Information

Other than as disclosed elsewhere in this annual report including under “Item 3. Key Information—D. Risk Factors”, we are not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon our net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information to not necessarily be indicative of future operating results or financial condition.

E. Off-Balance Sheet Arrangements

Leases

As of March 31, 2010, we leased 437,698 hectares, through approximately 2,128 land lease contracts with an average term of five years. Six of these contracts (covering 30,260 hectares, or approximately 7.6 % of the land leased by us) are entities controlled by our chairman and controlling shareholder under arms-length terms. In accordance with these 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. In fiscal year 2008, we paid an average of 16.9 tons of sugarcane per hectare, and an average of 122.8 kilograms of TSR per ton of sugarcane, at an average cost of US\$0.2987 million per kilogram of TSR under our land lease contracts. In transition fiscal year 2009, we paid an average of 17.2 tons of sugarcane per hectare, and an average of 121.6 kilograms of TSR per ton of sugarcane, at an average cost of US\$0.1461 million per kilogram of TSR under our land lease contracts. In fiscal year 2010, we paid an average of 17.52 tons of sugarcane per hectare, at an average cost of US\$0.1751 per kilogram of TSR under our land lease contracts.

Bank guarantees

As of March 31, 2010, we have entered into bank guarantees relating to legal proceedings, debt, energy auctions and concession agreements, as follows:

| | <u>In million of US\$</u> |
|-------------------------|---------------------------|
| Sugar & Ethanol | US\$ 173.5 |
| Fuel distribution | 76.8 |
| Sugar logistics | 59.8 |
| Total | <u>US\$ 310.1</u> |

F. Tabular Disclosure of Contractual Obligations

The following table sets forth the maturity schedule of our material contractual financial obligations at March 31, 2010:

| | <u>Total</u> | <u>Less than 1 year</u> | <u>1 to 3 years</u> | <u>3 to 5 years</u> | <u>More than 5 years</u> |
|--------------------------------------|-----------------------|-------------------------|---------------------|---------------------|--------------------------|
| | (in millions of US\$) | | | | |
| Long-term debt obligations(1) | US\$ 3,316.8 | US\$ 471.1 | US\$ 884.7 | US\$ 992.3 | US\$ 968.7 |
| Operating lease obligations(2) | 1,908.3 | 73.8 | 132.0 | 131.9 | 760.6 |
| Purchase obligations | 5,621.5 | 687.9 | 1,112.5 | 763.8 | 3,057.3 |
| Advances from customers | 980.4 | 201.3 | 574.3 | 204.8 | — |
| Total | <u>US\$ 11,017.0</u> | <u>US\$ 1,434.1</u> | <u>US\$ 2,703.5</u> | <u>US\$ 2,092.8</u> | <u>US\$ 4,786.6</u> |

(1) Less than 1 year amounts include accrued interest over the existing debt, long term installments do not include any interest.

(2) Purchase obligations were valued at the amount of sugarcane committed by a TSR of 129.8 kg per ton, at a price of R\$0.3492, per kg as defined by CONSECANA for March 2010.

Our long-term debt consists primarily of:

- US\$547.2 million of export pre-payment notes due from 2012 through 2014;
- US\$520.1 million refers to the financing of co-generation projects, as well as the financing of Jataí and Caarapó greenfields (sugar and ethanol mills);
- US\$455.8 million perpetual notes with call option for Cosan beginning on February 2011;
- US\$405.3 million senior notes due February 2017;
- US\$354.4 million senior notes due February 2014;
- US\$297.2 million PESA debt due between 2018 and 2020, payable against CTN credits; and
- US\$212.6 million export credit notes due during 2012.

We believe we will be able to refinance our existing debt on favorable market conditions. However, if we experience unfavorable market conditions, we believe that we already have available cash to repay our debt obligations due in the next three fiscal years, and, after that period, we expect to repay our debt obligations as they become due with cash generated by our operations.

Recently Issued Accounting Standards

FASB Accounting Standards Codification

In September 2009, the Accounting Standards Codification, or “ASC”, became the source of authoritative U.S. GAAP recognized by the Financial Accounting Standards Board, or “FASB”, for nongovernmental entities, except for certain FASB Statements not yet incorporated into ASC. Rules and interpretive releases of the SEC under federal securities laws are also sources of authoritative U.S. GAAP for registrants. The authoritative guidance mentioned in these consolidated financial statements includes the applicable ASC reference.

Subsequent Events

We adopted ASC 855, “Subsequent Events”, which established general accounting standards and disclosure for subsequent events, during the year ended March 31, 2010.

Noncontrolling Interests

Effective April 1, 2009, we adopted new accounting guidance ASC 810, “Consolidation”, which changed the accounting for and the reporting of an entity’s minority ownership. Such minority ownership, previously referred to as minority interest, is now referred to as noncontrolling interests. The adoption of this guidance resulted in the reclassification of amounts previously attributable to minority interest and classified in the mezzanine outside of shareholders’ equity, to a separate component of shareholders’ equity titled “Noncontrolling Interests” in the consolidated balance sheets and statement of changes in shareholders’ equity and comprehensive income (loss).

Additionally, net income and comprehensive income attributable to noncontrolling interests are shown separately from consolidated net income and comprehensive income in the consolidated statements of operations and statements of changes in shareholders’ equity and comprehensive income (loss). Prior period financial statements have been reclassified to conform to the current year presentation as required by ASC 810.

Other New Accounting Pronouncements

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements, which will require companies to make new disclosures about recurring or nonrecurring fair value measurements including significant transfers into and out of Level 1 and Level 2 fair value hierarchies and information on purchases, sales, issuance and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. The ASU is effective prospectively for financial statements issued for fiscal years and interim periods beginning after December 15, 2009. The new disclosures about purchases, sales, issuance and settlements on a gross basis in the reconciliation of Level 3 fair value measurements is effective for interim and annual reporting periods beginning after December 15, 2010. We expect that the adoption of ASU 2010-06 will not have a material impact on our consolidated financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, Amendments to Financial Accounting Standards Board Interpretation No. 46(R), included in ASC Subtopic 810-10, Consolidations — Overall. This guidance is intended to improve financial reporting by enterprises involved with variable interest entities by requiring ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and addresses concerns regarding the timeliness and usefulness of information about an enterprise's involvement in a variable interest entity. This guidance is effective for interim and annual reporting periods beginning after November 15, 2009, with early application prohibited. We do not believe the adoption will have a material impact on our consolidated financial statements.

G. Safe harbor

See "Forward-Looking Statements."

Item 6. Directors, Senior Management and Employees

Our board of directors and our executive officers are responsible for the operation of our business. Nevertheless, Mr. Rubens Ometto Silveira Mello, who controls all of our class B series 1 common shares, has the overall power to control us, including the power to establish our management policies.

A. Directors and Senior Management

Board of Directors

Our bye-laws provide that our board of directors shall consist of between five and eleven directors. Our board of directors currently consists of eleven directors.

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

Our board of directors is divided into three classes (Class I, Class II and Class III) that are, as nearly as possible, of equal size. Each class of directors is elected for a three-year term of office, and the terms are staggered so that the term of only one class of directors expires at each annual general meeting. Members of our board of directors are subject to removal at any time with or without cause at a general meeting of shareholders. Our bye-laws do not include any citizenship or residency requirements for members of our board of directors.

The board of directors of Cosan S.A. is not divided into classes.

The following table lists the members of our board of directors on March 31, 2010:

| Name | Initial Year of Appointment to Cosan Limited's Board | Initial Year of Appointment to Cosan S.A.'s Board | Class(1) | Position Held – Cosan Limited | Position Held – Cosan S.A. | Year of Birth |
|---|--|---|----------|-------------------------------|----------------------------|---------------|
| Rubens Ometto Silveira Mello..... | 2007 | 2000 | III | Chairman | Chairman | 1950 |
| Marcus Vinicius Pratini de Moraes(2)..... | 2007 | 2005 | II | Chairman | — | 1939 |
| Marcelo Eduardo Martins..... | 2009 | 2009 | III | Director | Director | 1966 |
| Mailson Ferreira da Nóbrega(2)..... | 2007 | — | I | Director | Director | 1942 |
| Marcos Marinho Lutz..... | 2007 | — | II | Director | — | 1969 |
| Pedro Isamu Mizutani | 2007 | 2000 | III | Director | Vice Chairman | 1959 |
| George E. Pataki(2) | 2007 | — | I | Director | — | 1945 |
| Marcelo de Souza Scarcela Portela..... | 2007 | 2005 | II | Director | Director | 1961 |
| José Alexandre Scheinkman(2)..... | 2007 | — | I | Director | — | 1948 |
| Burkhard Otto Cordes | 2008 | 2005 | II | Director | Director | 1975 |
| Hélio Franca Filho (2) | 2008 | — | III | Director | — | 1960 |
| Serge Varsano (2)..... | — | 2009 | — | — | Director | 1956 |
| Roberto Rezende Barbosa | — | 2009 | — | — | Director | 1959 |
| Pedro Luiz Cerize (2) | — | 2008 | — | — | Director | 1969 |

(1) The terms of the directors expire as follows: Class I at the annual general meeting held in fiscal year 2011; Class II at the annual general meeting held in the transition fiscal year 2012; and Class III at the annual general meeting held in the fiscal year 2010.

(2) Independent director.

The following is a summary of the business experience of our current directors. Unless otherwise indicated, the business address of our current directors is Av. Juscelino Kubitschek, 1726, 6th floor, São Paulo, SP, Brazil.

Rubens Ometto Silveira Mello. Mr. Mello is our chairman and chief executive officer. He holds a degree in mechanical engineering from the Escola Politécnica of the University of São Paulo (1972). Mr. Mello has more than 30 years of experience in the management of large companies. He has also served as general director and chairman of the board of directors of Costa Pinto S.A. since 1980, vice president of Pedro Ometto S.A. Administração e Participações since 1980, director of Cosan Operadora Portuária S.A. since 1998, chairman of the board of directors of FBA from 2001 until its merger into Corona, and director of Usina da Barra, currently Da Barra, since 2002. He also holds the position of director of UNICA, the Sugarcane Agroindustry Association of the State of São Paulo (*UNICA—União da Agroindústria Canavieira do Estado de São Paulo*). Prior to joining Cosan, Mr. Mello worked from 1971 to 1973 as an advisor to the board of executive officers of UNIBANCO União de Bancos Brasileiros S.A. and from 1973 to 1980 as chief financial officer of Indústrias Votorantim S.A.

Marcus Vinicius Pratini de Moraes. Mr. Pratini de Moraes is our vice-chairman and has been a member of Cosan's board of directors since 2005. He holds a degree in economics from Faculdade de Ciências Econômicas da Universidade do Rio Grande do Sul (1963), a postgraduate degree in public administration from Deutsche Stiftung für Entwicklungsländer—Berlin (1965) and a business administration degree from University of Pittsburgh and Carnegie Institute of Technology (1966). Mr. Pratini de Moraes held several

positions in the Brazilian federal government, including Minister of Planning and General Coordination (1968-1969), Minister of Industry and Commerce (1970-1974), Minister of Mines and Energy (1992) and Minister of Agriculture, Livestock and Food Supply (1999-2002). He also served a term as a congressman from the state of Rio Grande Do Sul (1982-1986). He was a board member of Solvay do Brasil (1998-1999) and chairman (2003); member of the advisory council of the Brazilian Mercantile & Futures Exchange—BM&F (2003); member of the Brazil—China Business Council (2004); president of the Brazil—Russia Business Council (2004); member of the National Council of Industrial Development (2005); and vice-president of the Beef Information Center—SIC (2005). Mr. Pratini de Moraes is currently the chairman of ABIEC (Brazilian Beef Export Industries Association), a board member of FIESP (Federation of Industries of the State of São Paulo), a board member of JBS S.A. and a member of the supervisory board and the audit committee of ABN AMRO Bank N.V.

Marcelo Eduardo Martins. Mr. Martins has been a member of our board of directors since March 23, 2009. Mr. Martins currently holds the position of Executive Vice President of Finance and Investor Relations and cumulates the Mergers & Acquisitions Officer position. 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. In July 2007, Mr. Martins was appointed as 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 (Citigroup) in New York. He has significant experience in capital markets, having worked at Citibank (where he began his career as a trainee in 1989), Unibanco, UBS and FleetBoston. He has a degree in business administration from the Getúlio Vargas Foundation, majoring in Finance.

Mailson Ferreira da Nóbrega. Mr. Nóbrega has been a member of our board of directors since November 2007. He is an economist and was Brazil's Minister of Finance from 1988 to 1990. He was previously Technical Consultant and Chief of Project Analysis Department at Banco do Brasil; Coordination Chief of Economic Affairs of the Ministry of Industry and Commerce and Secretary General of the Ministry of Finance. He performed as the Chief Executive Officer of the European Brazilian Bank—EUROBRAZ, in London. Mr. Nóbrega is also member of the board of directors of the following companies: Abyara Planejamento Imobiliário, CSU Cardsystem S.A., Grendene S.A., Portobello S.A., Rodobens Negócios Imobiliários S.A., Tim Participações S.A. and Veracel Celulose S.A.

Marcos Marinho Lutz. Mr. Lutz is a member of our board of directors and our chief commercial officer. He has been Cosan's chief executive officer since November 2009 and served as chief commercial officer since 2006. 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 director of infra-structure and energy at CSN (SID) and 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.

Pedro Isamu Mizutani. Mr. Mizutani is a member of our board directors and our chief operating officer. He has been a member of Cosan's board of directors since 2000 and has served as Cosan's managing director since 2001, currently also serving as Cosan's chief operating officer. Mr. Mizutani holds a production-engineering degree from the Escola Politécnica of the University of São Paulo (1982), a postgraduate degree in finance from UNIMEP—Universidade Metodista de Piracicaba (1986) and a master's degree in business management from FGV—Fundação Getúlio Vargas, São Paulo, with an extension degree from Ohio University (2001). Mr. Mizutani has more than 20 years of experience in finance and administration with companies in the ethanol and sugar industries. He also served as a planning director of Usina Costa Pinto S.A. from 1983 to 1987, as financial manager from 1987 to 1988, and as administrative and financial director from 1988 to 1990. From 1990 to 2001, he acted as managing administrative and financial director of the group.

George E. Pataki. Mr. Pataki is a member of our board of directors. He has a bachelor's degree from Yale University (1967), and a law degree from Columbia Law School (1970). Mr. Pataki was a partner in the New York law firm of Plunkett & Jaffe until 1987. He was elected mayor of Peekskill, New York in 1981,

and served in the New York State Legislature as an assemblyman and then a senator from 1985 to 1994. In 1994, Mr. Pataki became the fifty-third Governor of the State of New York and was reelected in 1998 and 2002. He served as Governor from January 1, 1995 until January 1, 2007. Mr. Pataki is counsel at Chadbourne & Parke LLP.

Marcelo de Souza Scarcela Portela. Mr. Portela is a member of our board of directors and has been a member of Cosan's board of directors since 2005. He holds a law degree from Faculdade de Direito da Universidade de São Paulo (1983), and completed graduate studies in commercial law from Faculdade de Direito da Universidade de São Paulo (1988) and McGill University Law School (1990) in Montreal, Canada. Since 2000, Mr. Portela has been a partner in the Brazilian law firm of Portela Advogados Associados S/C. Mr. Portela provides legal services to our company on a regular basis.

José Alexandre Scheinkman. Mr. Scheinkman is a member of our board of directors. He is the Theodore A. Wells '29 Professor of Economics at Princeton University. He has a bachelor's degree in economics from the Federal University of the State of Rio de Janeiro (1969), a master's degree (1973) and doctorate degree (1974) in economics from the University of Rochester, and a master's degree in mathematics from Instituto de Matemática Pura e Aplicada (Brazil) (1976). Mr. Scheinkman is a Fellow of the American Academy of Arts and Sciences, a Fellow of the Econometric Society, and received a "*docteur honoris causa*" from the Université Paris-Dauphine. In 2002, he was a Blaise Pascal Research Professor (France). Professor Scheinkman is a member of the Conseil Scientifique of the Institute Europlace de Finance (Paris) and a member of the Conselho Acadêmico of IBMEC (São Paulo). Previously, he was the Alvin H. Baum Distinguished Service Professor and Chairman of the Department of Economics at the University of Chicago, Vice President in the Financial Strategies Group of Goldman, Sachs & Co., co-editor of the *Journal of Political Economy* and a member of the advisory panel in economics to the Sloan Foundation.

Burkhard Otto Cordes. Mr. Cordes is member of our board of directors since 2005. He graduated with a degree in business administration from Fundação Armando Álvares Penteado (1997) and he holds a master's degree in finance from IBMEC-SP (2001). Mr. Cordes has worked in financial markets over the last seven years. He worked at Banco BBM S.A., a company owned by Grupo Mariani, where he worked at its commercial division focusing corporate and middle market segments. Currently, he serves as financial manager. Before holding his current position, he had worked at IBM Brasil in its financial division. Mr. Cordes is Mr. Mello's son-in-law.

Helio Franca Filho. Mr. Franca Filho has been a member of Cosan's board of directors since August 2009. He joined Gavea's Illiquid Strategies Group in April 2007, focusing primarily on the commodities sector. With over 20 years of experience in the commodities sector, Mr. Franca Filho began his career with the Sucres & Denrées group, where he worked from 1984 to 1985 trading coffee, sugar and cocoa. He subsequently joined the Louis Dreyfus group in New York, where he was in charge of the Latin American sugar and ethanol market from 1985 to 1996. From 2000 to 2007, he was director of Brazilian operations for the Noble group, a commodities trading company listed in England and Singapore. Mr. Franca Filho has a degree in Economics from the Pontifical Catholic University of Rio de Janeiro (PUC-RJ).

Serge Varsano. Mr. Varsano holds a degree from the Marshall School of Business of the University of Southern California. Mr. Varsano began his career as a trader in the Sucres et Denrées group, one of the world's leading sugar traders, subsequently becoming its CEO. He has been CEO of the Sucres et Denrées group since 1988.

Roberto de Rezende Barbosa. Mr. Barbosa has been a member of Cosan's board of directors since 2009. Born on June 26, 1950 in São Paulo, he worked as a trainee at Halles Bank and the Dacon dealership, assuming the family business in 1975. With degrees in Business and Industry, he was the CEO of Grupo Nova América and is currently the CEO and a board member at CTC – Centro de Tecnologia Canavieira, and a board member at SCA – Sociedade Corretora de Álcool, IEDI – Institute of Industrial Development Studies and UNICA – the Federation of Sugarcane Industries of São Paulo State.

Pedro Luiz Cerize. Mr. Cerize has been a member of Cosan's board of directors since 2009. He is founder and co-manager of Skopos and is responsible for the allocation of the fund's assets. Previously, he worked at Corretora Socopa, Fator and BBA Creditanstalt Bank, where he was responsible for the stock trading desk, managing over US\$100 million. In addition to managing the fund, he serves on the board of directors of Indústrias Romi S.A. (ROMI4 BZ). He earned a bachelor's degree with honors in Business Administration from the Getulio Vargas Foundation (FGV) in São Paulo, having received the Gastão Vidigal award in 1991 for academic achievement, and an MBA in finance in 1993 from the Brazilian Institute for Capital Markets – IBMEC.

Executive Officers

Our executive officers serve as our executive management body. They are responsible for our internal organization and day-to-day operations and for the implementation of the general policies and guidelines established from time to time by our board of directors.

Our executive officers are elected by our board of directors for one-year terms and are eligible for reelection. Our board of directors may remove any executive officer from office at any time with or without cause. Our executive officers hold meetings when called by any of our executive officers.

The following table lists our current executive officers:

| Name | Initial Year of Appointment to Cosan Limited | Initial Year of Appointment to Cosan S.A. | Position Held – Cosan Limited | Position Held – Cosan S.A. | Year of Birth |
|--|--|---|--|--|---------------|
| Rubens Ometto Silveira Mello..... | 2007 | — | Chief Executive Officer | — | 1950 |
| Marcos Marinho Lutz..... | 2007 | 2009 | Chief Commercial Officer | Chief Executive Officer | 1969 |
| Pedro Isamu Mizutani | 2007 | 2000 | Chief Operating Officer | Chief Operating Officer | 1959 |
| Marcelo Eduardo Martins.... | 2009 | 2009 | Chief Financial Officer and Investor Relations Officer & M&A Officer | Chief Financial Officer and Investor Relations Officer & M&A Officer | 1966 |
| Marcelo de Souza Scarcela Portela..... | — | 2009 | — | Legal Officer | 1961 |
| Rodolfo Norivaldo Geraldi.. | — | 2000 | — | Executive Officer | 1951 |
| Antonio Alberto Stucchi..... | — | 2009 | — | Executive Officer | 1957 |

The business address of our current executive officers is Av. Juscelino Kubitschek, 1726, 6th floor, São Paulo, SP, Brazil.

Key managers

| Name | Initial Year of Appointment to Cosan S.A. | Position Held – Cosan S.A. |
|--------------------------------|---|---|
| Carlos Alberto Piotrowski..... | 2008 | Chief Operating Officer – Shared Service Center |
| Leonardo Gadotti Filho | 2008 | Chief Operating Officer – CCL |
| Julio Fontana Filho..... | 2009 | Chief Operating Officer – Rumo Logística |
| Collin Butterfield..... | 2010 | Chief Operating Officer – CAL |

Carlos Alberto Piotrowski: He joined Esso Brasileira in 1984 and worked in different areas in Brazil and abroad, having led the transition of the Latin America area of fuel distribution during the Exxon-Mobil merger. He returned to Brazil in 2007 to take the position of President of Esso Brasileira from 2007 until 2009, when it became Cosan Combustíveis e Lubrificantes.

Leonardo Gadotti Filho: He is also President of Sindicom and Member of the Board of Directors of Instituto Brasileiro de Ética Concorrencial - ETCO. He started working at the Essobrás in 1980 as a trainee, and has worked in Great Britain and the United States, returning to Brazil in 1999.

Julio Fontana Filho: He is the former Chief Executive Officer of MRS Logística S.A. with experience in logistics, railroad operations and infrastructure.

Collin Butterfield: He holds an Engineering degree from Boston University and a master's degree in Economy and Finance from Dartmouth College. He created the website Viajo.com (currently named Decolar.com.br) and before joining Cosan acted as Bracor's Investments Officer.

Our Relationship with our Executive Officers and Directors

Mr. Burkhard Otto Cordes is a member of Cosan and Cosan Limited's board of directors and serves as financial manager in Aguassanta Participações S.A. Mr. Cordes is Mr. Mello's son-in-law.

There are no arrangements or understandings with any of our shareholders, customers, suppliers or others, pursuant to which any director or member of our senior management has been or will be selected.

[Intentionally omitted]

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

Cosan Limited

As of the date of this annual report our authorized share capital is US\$11,888,863.60, consisting of 1,000,000,000 class A common shares, par value US\$0.01 per share, 96,332,044 class B series 1 common shares, par value US\$0.01 per share and 92,554,316 class B series 2 common shares, par value US\$0.01 per share. Each of our class A common shares entitles its holder to one vote. Each of our class B common shares entitles its holder to ten votes. The chairman of our board of directors, Mr. Rubens Ometto Silveira Mello controls 41.5% of our issued and outstanding share capital, and 86.1% of our voting power by virtue of his control of 100% of our class B common shares and 9.2% of our class A common shares. Other than the entities and individuals mentioned below, no other single shareholder holds more than 5.0% of our issued and outstanding share capital.

The following table sets forth the principal holders of our issued and outstanding share capital and their respective shareholding as of the date of this annual report:

| Shareholders | Class A Common Shares | % | Class B Common Shares | % | Total Number of Shares | % |
|--|------------------------------|----------|------------------------------|----------|-------------------------------|----------|
| Queluz Holdings Limited | 8,611,111 | 4.9 | 66,321,766 | 68.8 | 74,932,877 | 27.7 |
| Usina Costa Pinto S.A. Açúcar e Álcool | — | — | 30,010,278 | 31.2 | 30,010,278 | 11.1 |
| CFV19 Participações S.A. | 1,811,250 | 1.0 | — | — | 1,811,250 | 0.7 |
| MSAL Participações S.A. | 1,811,250 | 1.0 | — | — | 1,811,250 | 0.7 |
| Certo Participações S.A. | 1,811,250 | 1.0 | — | — | 1,811,250 | 0.7 |

| Shareholders | Class A Common Shares | % | Class B Common Shares | % | Total Number of Shares | % |
|---|--------------------------|-------|--------------------------|-------|---------------------------|-------|
| MSOR Participações S.A..... | 1,811,250 | 1.0 | — | — | 1,811,250 | 0.7 |
| Usina Bom Jesus S.A. Açúcar e Álcool | 255,000 | 0.1 | — | — | 255,000 | 0.1 |
| Gávea Funds | 39,445,393 | 22.6 | — | — | 39,445,393 | 14.6 |
| Janus Capital Management LLC (1)..... | 17,141,850 | 9.8 | — | — | 17,141,850 | 6.3 |
| Skagen Funds (2)..... | 8,900,000 | 5.1 | — | — | 8,900,000 | 3.3 |
| Others..... | 93,174,725 | 53.4 | — | — | 93,174,725 | 34.4 |
| Total..... | 191,497,191 | 100.0 | 96,332,044 | 100.0 | 270,687,385 | 100.0 |

- (1) Based on information filed by Janus Capital Management LLC, or Janus Capital, with the SEC on February 16, 2010, as a result of its role as investment adviser or sub adviser to various managed portfolios, Janus Capital may be deemed to be the beneficial owner of 17,141,850 class A common shares held by such managed portfolios. The interest of Janus Overseas Fund, which is one of the managed portfolios to which Janus Capital provides investment advice, amounted to 14,108,974 class A common shares
- (2) Based on information filed by Skagen Funds with the SEC on April 6, 2010, Skagen Funds is deemed to be the beneficial owner of 8,900,000 class A common shares. Skagen Funds is a Norwegian investment company and holds the shares for investment purposes.

No class B series 2 common shares are currently issued and outstanding.

Queluz Holdings Limited, Costa Pinto, CFV19 Participações S.A., MSAL Participações S.A., Certo Participações S.A., MSOR Participações S.A. and Usina Bom Jesus S.A. Açúcar e Álcool

On November 24, 2009, a corporate reorganization was approved within companies from its controlling group (Aguassanta Participações S.A., Queluz Holdings Limited, or “Queluz”, and Usina Bom Jesus S.A. Açúcar e Álcool), aiming at consolidating their control with Mr. Rubens Ometto Silveira Mello.

This reorganization may result, but not necessarily, in the sale by Queluz of up to around 5,500,000 class A common shares issued by Cosan Limited within approximately 12 months, never exceeding 1% of total Class A shares, or 1,743,553 shares, in a given 90-day period, pursuant to Securities Act Rule 144 and other applicable provisions. Its class B share position remains unaltered.

Queluz Holdings Limited and Costa Pinto own all of our class B series 1 common shares. Queluz Holdings Limited, CFV19 Participações S.A., MSAL Participações S.A., Certo Participações S.A., MSOR Participações S.A. and Usina Bom Jesus S.A. Açúcar e Álcool also hold in aggregate 10% of our class A common shares. These companies are indirectly controlled by Mr. Rubens Ometto Silveira Mello, the chairman of our board of directors through several companies controlled directly and indirectly by him. Although the control is exercised by Mr. Rubens Ometto Silveira Mello, there are some family members and other individuals who are also beneficial owners of minority interests in these companies.

Cosan

The following table sets forth information relating to the beneficial ownership of Cosan's common shares as of the date hereof.

| Shareholders | Common Shares | % |
|-----------------------|---------------|-------|
| Cosan Limited | 253,703,323 | 62.3 |
| Rezende Barbosa | 44,300,389 | 10.9 |
| Others | 109,006,484 | 26.8 |
| Total | 407,010,196 | 100.0 |

On September 19, 2008, the board of directors approved a capital increase in the total amount of R\$880 million (US\$456.1 million) through the issuance of 55,000,000 new shares at a price of R\$16.00 (US\$8.29) each. Each new share had one warrant attached to it. Each warrant grants its holder the right to subscribe for 0.6 common shares. The warrants were valid until December 31, 2009. The subscription price through the use of warrants is R\$16.00 (US\$8.29) per share. Because not all shareholders exercised their preemptive rights under the capital increase, Cosan Limited increased its holding of Cosan's common shares from 171,172,252 to 226,165,734, or from 62.81% to 69.05% of the Company's capital.

On March 6, 2009, Cosan's board of directors approved a capital increase in the total amount of US\$1.9 million through the issuance of 736,852 new common shares, to be used under Cosan's Stock Option Plan. As a result of the capital increase, Cosan's share capital is of 328,284,884 common shares, 226,165,734 (69.0%) of which are owned by us and 102,119,150 (31.0%) of which are outstanding in the market.

On June 18, 2009, Cosan's shareholders approved a capital increase of US\$169.5 million through the issuance of 44,300,389 new common shares, with no par value, for purposes of the acquisition of Curupay. As part of this acquisition, Cosan acquired a noncontrolling interest in Novo Rumo in the amount of US\$62.5 million, which has been accounted for as an equity transaction, with a dilution of noncontrolling interest.

On July 15, 2009, Cosan's board of directors approved a capital increase of US\$6.1 million through the issuance of 224,819 new common shares, with no par value, for purposes of meeting the needs of the stock option plan, due to exercise of such options by qualifying executives.

On August 7, 2009, Cosan's board of directors approved a capital increase of R\$800.0, or US\$450.0 through the issuance of 50 new common shares, with no par value, at an issue price of R\$16.00 per share, or US\$9.09, due to exercise of subscription warrants by the holders.

On October 5, 2009, Cosan's board of directors approved a capital increase of US\$0.6 million through the issuance of 169,500 new common shares, with no par value, for purposes of meeting the needs of the stock option plan, due to exercise of such options by qualifying executives.

On October 29, 2009, Cosan's board of directors approved a capital increase of US\$236.2 million through the issuance of 23,753,953 new common shares, with no par value, at an issue price of US\$9.00, due to exercise of subscription warrants by Cosan Limited. As a result, Cosan Limited increased its holding of the company's common shares from 226,165,734 to 249,919,687. Cosan Limited's interest in Cosan increased from 60.64% to 62.99% of Cosan's capital.

On December 15, 2009, Cosan's board of directors approved a capital increase of US\$0.8 million through the issuance of 84,000 new common shares, with no par value, at an issue price of US\$9.00, due to exercise of subscription warrants by the holders. On the same day, Cosan's board of directors approved a capital increase of US\$6 million through the issuance of 571,194 new common shares, with no par value, for purposes of meeting the needs of the stock option plan, due to exercise of such options by qualifying executives.

On December 22, 2009, Cosan's board of directors approved a capital increase of US\$78.6 million through the issuance of 8,072,976 new common shares, with no par value, at an issue price of US\$9.00, due to the exercise of subscription warrants by Cosan Limited and other holders. Cosan Limited exercised 5,403,560 subscription warrants which resulted in an issuance of 3,242,136 new common shares and other holders exercised 8,051,400 subscription warrants which resulted in an issuance of 4,830,840 new common shares. As a result, Cosan Limited increased its interest in Cosan's capital from 249,919,687 to 253,161,823, or from 62.89% to 63.19% of Cosan's capital.

On December 31, 2009, Cosan's board of directors approved a capital increase of US\$10.8 million through the issuance of 1,081,552 new common shares, with no par value, at an issue price of US\$9.00, due to exercise of subscription warrants by the holders. As a result, Cosan Limited's interest decreased to 62.27% of Cosan's capital

On March 29, 2010, Cosan's board of directors approved a capital increase of US\$0.1 million through issuance of 17,000 new common shares, with no par value, for purposes of meeting the needs of the stock option plan, due to exercise of such options by qualifying executives.

On July 29, 2010, Cosan's board of directors approved a capital increase of US\$1.5 million through issuance of 449,879 new common shares, with no par value, for purposes of meeting the needs of the stock option plan, due to exercise of such options by qualifying executives. As of that date, Cosan's share capital consisted of 407,010,196 common shares.

On August 25, 2010, we entered into definitive agreements for the creation of a proposed joint venture with Shell, see more information in "Item 10. Additional Information—C. Material Contracts".

Treasury stock

In the year ended March 31, 2009, we acquired 343,139 common shares from dissident shareholders related to a prior acquisition. These shares are held in treasury.

Set forth below is a brief description of each of the shareholders mentioned in the table above.

Cosan Limited

On March 31, 2010, we owned 62.3% of Cosan's common shares. Prior to our initial public offering, Usina Costa Pinto S.A. Açúcar e Álcool and Aguassanta Participações S.A., each company indirectly controlled by our chief executive officer, Mr. Rubens Ometto Silveira Mello and his family, were the controlling shareholders of Cosan.

Rezende Barbosa

On June 18, 2009, Cosan entered into an agreement with Rezende Barbosa to acquire 100% of the outstanding shares of Curupay S.A. Participações, or "Curupay". The acquisition was carried out through the merger of Curupay into Cosan resulting in the issuance by Cosan of 44,300,389 new common shares, fully subscribed and paid-in by Rezende Barbosa.

Shareholders' Agreements and Other Arrangements

Cosan Limited

Aguassanta and Costa Pinto, our indirect controlling shareholders, entered into a shareholders' agreement pursuant to which they undertake to vote jointly with respect to any matter related to us and our subsidiaries. Aguassanta and Costa Pinto have agreed to meet before any shareholders' or board of directors meeting to reach an agreement as to their votes regarding such matters. The vote of the indirect shareholder that owns a greater equity stake in Cosan Limited shall prevail.

Cosan

Rezende Barbosa

Pursuant to an agreement dated June 9, 2009, the Rezende Barbosa Family has the right to have one member on both the supervisory board and the board of directors. Cosan Limited has, subject to limited exceptions, a right of first refusal on shares of Cosan (CSAN3) owned by the Rezende Barbosa family.

Cosan Portuária

On February 8, 1999, São Francisco and Tate & Lyle do Brasil Serviços e Participações S.A., or “Tate & Lyle”, entered into a shareholders’ agreement that governs the rights of the shareholders of Cosan Portuária (formerly São Francisco Operadora Portuária de Granéis Ltda.). In April 2004, Cosan acquired 90.0% of the outstanding capital stock of Cosan Portuária through a Cosan capital increase in the amount of US\$1.5 million, which was fully subscribed by Cosan’s shareholder, São Francisco, using shares that it held at Cosan Portuária.

Cosan has signed a memorandum of understanding dated April 9, 2008 with Rezende Barbosa with the intention of merging into a new entity the port terminal facilities of Cosan Portuária with those at the neighboring site of Teaçú Armazéns Gerais S/A, owned by Rezende, or the “merged entity”. Cosan asked Tate & Lyle to provide its approval as the minority shareholder in Cosan Portuária to the arrangements. Tate & Lyle’s and Cosan’s equity interests in the merged entity would be held by a holding company owned by Cosan and Tate & Lyle.. Because of the creation of the holding company, Cosan and Tate & Lyle entered into a shareholders’ agreement with respect to the holding company named COPSAPAR Participações S/A in order to govern: (1) the election of the board of directors; (2) the exercise of voting rights in general shareholder meetings and meetings of the board of directors; and (3) the preemptive rights of shareholders.

Rumo Logística

On September 2, 2010, Novo Rumo, Cosan, Cosan Limited and investment vehicles controlled by TPG and Gávea entered into a shareholders’ agreement that regulates the rights of the shareholders of Rumo Logística and on the same date the parties have entered into a subscription agreement in which Gávea and TPG agreed to subscribe common shares of Rumo Logística representing a 25% ownership for a price of R\$400 million, implying a post-money equity valuation of R\$1,600 million. In accordance to the shareholders agreement, Rumo Logística will have a board of directors of five members and Gávea and TPG will have the right to appoint two of the directors. Pursuant to the agreement, (1) Gávea and TPG will have the right to participate, through at least one representative, in all board committees and certain other relevant committees of Rumo Logística; (2) any decision regarding Rumo Logística or any of its subsidiaries will be determined by a simple majority vote; (3) Gávea and TPG will have rights of first refusal; (4) Gávea and TPG will have tag along rights.

TEAS

Cosan and Cargill Agrícola S/A entered into a shareholders’ agreement with respect to TEAS Terminal Exportador de Alcool de Santos S/A, or “TEAS”, dated as of February 15, 2005 and amended on November, 26, 2009, that provides for, among other things, the right of first refusal of the shareholder to acquire the shares of TEAS owned by the other shareholder, in the event such party decides to sell its shares to a third party.

B. Related Party Transactions

We engage in related party transactions with certain of our affiliates, some of which are of a recurring nature. Financial information with respect to certain material related party transactions is set forth in note 13 to our audited financial statements included in this annual report.

Our board of directors delegates to the audit committee the responsibility for reviewing and approving all related party transactions (within the meaning of Item 404 of Regulation S-K of the SEC). The audit committee is responsible for obtaining information from our directors, executive officers and major shareholders with respect to related party transactions and for then determining, based on the facts and circumstances, whether our company or a related party has a direct or indirect material interest in the transaction. As required under SEC rules, transactions that are determined to be directly or indirectly material to our company or a related party has been disclosed herein.

In October 2008, a private placement of the Company's class A shares was made in the amount of US\$50 million by the controlling shareholder, Mr. Rubens Ometto Silveira Mello, and US\$150 million by the funds managed by Gávea Investimentos Ltda., at US\$4.50 per class A share or BDR subscribed. The offering was extended to all class A share or BDR holders, as permitted by applicable law. The offering was concluded on October 27, 2008. As a result and following the date of the acquisition, Mr. Rubens Ometto Silveira Mello holds 41.5% of the Company's total capital and 86.1% of its voting capital.

Recurring Transactions with Shareholders

Cosan leases agricultural land for planting sugarcane from certain of our and its shareholders and other related parties on market terms. As of March 31, 2010 we leased 394,312 hectares, through 2,128 land lease contracts with an average term of five years. Six of these contracts (covering 30,260 hectares, or 7.6% of the land leased by us) are entities controlled by our chairman and controlling shareholder under arms-length terms. These land lease agreements are on arms-length terms equivalent to those we enter into with third parties. Lease payments under these agreements are based on the price of 16.9 tons of sugarcane per hectare, calculated in accordance with certain regulations of CONSECANA.

Through our indirect subsidiary Agrícola Ponte Alta S.A., we also acquired 28 ships for R\$12,115,000 pursuant to a Ship Purchase Agreement, entered into on October 1, 2009. We had previously leased and used the ships to transport sugarcane to our plant in Jaú, in the district of Potunduva.

Guarantees with Related Parties

On November 17, 2008, Cosan issued promissory notes for an aggregate outstanding principal amount of R\$1.1 billion (US\$617.6 million as of March 31, 2010). The promissory notes are subject to interest consisting of the accumulated change in average daily rates of Interfinancial Deposits plus 3% annual rate, payable on November 12, 2009, together with the principal amount of promissory notes. The promissory notes are secured by: (1) a guarantee of Mr. Rubens Ometto Silveira Mello; and (2) chattel mortgage of shares of CCL (current name of Essobrás).

As a result of Cosan's participation in the PESA federal government financing program between 1998 and 2000, Amaralina mortgaged land to secure the restructuring of Cosan's debt, and Agrícola Ponte Alta and Pedro Ometto S.A. mortgaged land to secure the restructuring of the debt of Da Barra. See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Indebtedness—Special Agricultural Financing Program (*Programa Especial De Saneamento De Ativos*).

For approximately seven months, Cosan and Palermo Agricola Ltda, a special purpose company wholly-owned by Aguassanta Participações S/A, or "Palermo", have been in the planning and execution stages of a project involving a build-to-suit and lease arrangement whereby Palermo would construct, pursuant to Cosan specifications, the building that will house Cosan's shared services center in Piracicaba, São Paulo State, or the "Shared Services Center", which would thereafter be leased by Palermo to Cosan. On July 1, 2010, Cosan entered into the build-to-suit and lease agreement with Palermo based on previously agreed business terms that formalized this arrangement. Following the completion of construction of the Shared Services Center, Cosan will lease this building from Palermo for a period of ten years, with monthly rental payments of R\$350,000 (US\$196,500).

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See Item 18 for our audited consolidated financial statements.

Legal Proceedings

Tax Proceedings

We are engaged in a number of legal proceedings with Brazilian tax authorities in the total amount of US\$1,400 million for which we have recorded provisions in an aggregate amount of US\$173,924 million at March 31, 2010. In addition, there are currently certain legal proceedings pending in which we are involved for which we have not recorded provisions. If any of these legal proceedings is decided adversely against us, our results of operations or financial condition could be materially and adversely affected.

Cosan has tax credits related to IPI Premium Credit introduced by Decree Law No. 491/69, which represents an incentive to export trading companies, through the grant of IPI tax credits calculated on export sales, as a form of compensation for the tax paid internally. We have used a portion of these credits to offset federal taxes and contributions. The Superior Court of Justice of Brazil had previously ruled that IPI premium credits could be used by companies to offset against other federal taxes. However, in a ruling dated November 9, 2005, the Superior Court of Justice of Brazil, a Brazilian appellate court, changed its prior position. This decision may be appealed by the losing party with the Superior Court of Justice of Brazil, and, if the party loses this appeal, it may further appeal the decision with the Superior Federal Court of Brazil (*Supremo Tribunal Federal*). We have established a provision in the amount of US\$116.3 million in our consolidated financial statements at April 30, 2008 for the full amount of the taxes that we have offset pursuant to the initial judicial authorization. Cosan opted to settle tax related claims in installments as provided by Brazilian Law No 11.941/09 and in MP 470/09. The Company and its subsidiaries used accumulated tax losses to pay the related fines and interest. Consequently there was a full reduction of the claims related to IPI tax credit, as well as the installment payment of other federal taxes, that were recorded as taxes payable.

Da Barra is a party to legal actions challenging the right to recognize the IPI tax credits arising from purchases of raw materials, intermediary products and packaging materials that are tax-exempt, non-taxable or taxed at a zero percent rate. We have offset US\$11.8 million of taxes with IPI tax credits as of March 31, 2009, and we have established a provision in the amount of US\$24.6 million in our consolidated financial statements for the full amount of the taxes that we have offset pursuant to a judicial authorization granted (including interest calculated at the SELIC rate) as of March 31, 2009. These claims were all included in the tax amnesty program.

On October 31, 2006, Cosan and controlled company Da Barra adhered to the Special Program for the Payment of ICMS Tax Debts. As a result, we settled a material portion of our ICMS tax debts and reduced considerably the amount of the corresponding provision. As for the remaining ICMS debts, we had established a provision in an aggregate amount of US\$20.0 million as of March 31, 2009 and an aggregate provision of US\$36,968 as of March 31, 2010. As of March 31, 2010, the total amount related to the remaining ICMS tax debts was US\$336 million.

In addition, the Brazilian federal tax authorities issued tax deficiency notices against Cosan and its subsidiaries alleging that it had not collected an aggregate amount of US\$62.6 million in PIS and COFINS with respect to foreign exchange gains and other income. Due to a change in the tax legislation in May 2009, the Company evaluated its ongoing judicial claims related to the increase in the calculation basis of PIS and COFINS and reversed the related provision in the amount of US\$30.2 million.

Da Barra instituted administrative proceedings to recover IPI taxes paid with respect to refined amorphous sugar and the right to offset these IPI taxes against other federal taxes. During these proceedings, Da Barra offset these IPI tax credits against other federal taxes. However, despite the ongoing administrative proceeding, the Brazilian federal tax authority (*Receita Federal do Brasil*), or “RFB”, issued tax deficiency notices against Da Barra, claiming that Da Barra owed the full amount of the federal taxes that it offset with these IPI tax credits. To suspend the effectiveness of these tax deficiency notices, Da Barra filed suit for and obtained a preliminary injunction through a writ of mandamus. As of March 31, 2010, Da Barra has used a portion of these IPI tax credits to offset IPI and other federal taxes in an aggregate amount of US\$148.0 million. We have not recorded a provision.

Da Barra is a party to legal proceedings challenging the constitutionality of contributions that it did not pay to the Sugar and Alcohol Institute (*Instituto do Açúcar e Alcool*), or “IAA”, which were levied on the sale of sugar and ethanol during the period between March 1989 and November 1991, in an aggregate amount equal to US\$18.3 million. In addition, Da Barra is a party to several tax execution proceedings filed by the Brazilian federal government, as successor to credits held by the now-dissolved IAA, deriving from the default by Açucareira Nova Tamoio S.A. (which was subsequently merged into Da Barra) with respect to payments under cross-border loans for which the Brazilian federal government acted as guarantor. The claims involved in these suits amounted to US\$55.4 million at April 30, 2008. However, in light of the judicial decision in favor of Da Barra during the second quarter of 2006, our legal advisors reassessed the estimate of loss for these tax collection claims, reducing them to US\$27.5 million, which has been reserved for in our consolidated financial statements. As a result of the reassessment of the loss estimate, Da Barra recognized a reversal of the updating of the provision for these claims for the year ended April 30, 2007, in the amount of US\$25.4 million, which was recorded under the financial income (expenses), net. The Company opted to settle tax related claims in installments as provided by Brazilian Law No 11.941/09 and in MP 470/09.

In September 2006, the Brazilian federal tax authorities issued a tax notice against Cosan in an aggregate amount equal to US\$69.7 million, including penalties and interest, related to withholding income tax. Despite what we believe is a remote chance of our success on the administrative level, we believe, based on the advice of our external legal counsel, that it is possible that we will prevail once this matter is brought before a court.

We are also involved in other tax proceedings relating to PIS/COFINS/IPI/IR/CSL/IRF federal taxes, including withholding income tax mentioned above, with claims in an aggregate amount of US\$1,380 million as of March 31, 2010. We have established a provision for the tax proceedings in which we believe we will not prevail in the amount of US\$173.9 million

CCL and its direct subsidiary, Sociedade Técnica e Industrial de Lubrificantes Ltda., or “Solutec”, initiated a lawsuit in 1993 disputing the balance sheet monetary correction index established by the federal government in 1989, which did not reflect inflation in the period. Because of the adoption of the index imposed by the federal government, CCL determined and paid IRPJ and CSLL amounts allegedly higher than should have been due. CCL and Solutec were granted a favorable preliminary injunction ruling regarding recalculation of the balance sheet monetary correction, now using the inflation indices for the period, thus determining new IRPJ and CSLL amounts. The IRPJ and CSLL overpayments were offset in subsequent years until 1997. Despite the favorable decision, tax authorities served Solutec with a tax deficiency notice relating to the offsets made during the period from 1993 to 1997, whereas CCL was served a notice only in relation to the offset carried out in 1993. In view of the contingent characteristics of such offsets, these amounts were also recorded as provision for judicial demands and are undergoing restatement based on the SELIC rate variation. The aggregate claims amount to US\$86.4 million.

During the period from June to December 2004, CCL offset amounts due to COFINS and several other taxes against the Finsocial paid prior to such period, based on preliminary injunction under a lawsuit in which the constitutionality of the Finsocial was disputed. In 1995, CCL was declared COFINS immune from COFINS. Accordingly, CCL interpreted that the COFINS amount offset against Finsocial did not, in fact, occur, and in 2003, based on a favorable court decision handed down to CCL in connection with Finsocial, it concluded that the credits relating to such tax offset against COFINS were once again available for offset against other taxes. As such, CCL began offsetting such credits against IRPJ, CSLL, CIDE, PIS, COFINS and

IRRF resulting from its operations. Once again, considering the contingent characteristic of this offset, the entire offset amount was recorded as provision for judicial demands, pending approval by the Brazilian federal tax authorities (*Receita Federal do Brasil*) of such offset. In 2008, the Brazilian federal tax authorities denied the abovementioned offset, claiming that such credits had already been offset against COFINS in 1994. As a result of such position, the management decided to file an administrative appeal against the decision, which is still pending judgment. The provision is being monetarily restated based on the SELIC rate variation, amounting to US\$173 million.

Social Security Proceedings

The National Social Security Institute (Instituto Nacional da Seguridade Social), or “INSS”, a Brazilian federal agency, has filed several claims against us. The social security claims that have been filed against us amount to US\$147.1 million with respect to differences in payroll contributions to agricultural employees, differences in joint responsibility contributions with hired service providers and differences in the Workmen’s Compensation Insurance contribution, over a period of several years, as well as reimbursement of alleged payments paid improperly to INSS regarding benefits to self-employed workers. We believe that it is probable that we will be required to pay certain of these claims depending on the periods covered thereby. We have recorded a provision in an aggregate amount of US\$2 million as of March 31, 2010.

Environmental Proceedings

We are party to a number of administrative and judicial proceedings regarding environmental matters. We are subject to several public civil actions related to matters including our burning of sugarcane (which is part of the manual sugarcane harvesting process), historical patrimony preservation, and protected areas. We are also subject to over 402 administrative proceedings concerning matters including the burning of sugarcane, liquid effluent discharge, air pollution, damage to environmentally protected areas, death of fish and joint liability in case of environmental damages regarding service stations. Moreover, we are also subject to over 34 judicial proceedings concerning suits filed by service stations and third parties asserting damages for fuel leaks in Esso service stations. As of March 31, 2010, we had established a provision for these contingencies in the amount of US\$2.5 million.

Labor Claims

As of March 31, 2010, there were 2,945 individual labor lawsuits filed against us and the total amount of our potential liability under these lawsuits amounted to a total of US\$301million. As of March 31, 2010, we had established a provision for these contingencies in the amount of US\$77.2 million. The labor claims principally relate to claims to overtime, risk premiums and wage premiums related to workplace hazards.

Other Proceedings

We are party to numerous civil lawsuits involving claims that amounted to US\$260.9 million in the aggregate as of March 31, 2010. Based on the opinions of the legal counsel handling these lawsuits, we have recorded a provision for civil contingencies in our consolidated financial statements of US\$41.7 million as of March 31, 2010.

In accordance with court orders concerning certain tax, civil and labor lawsuits, we had bank accounts frozen in an aggregate amount of US\$320,000 as of the present date.

We are involved in numerous other lawsuits from time to time, including commercial litigation.

On February 28, 2007, the subsidiary Usina da Barra S.A. Açúcar e Álcool recognized financial income in the amount of US\$149.1 million. The company had sought damages from the Brazilian federal government for setting prices for its products below the established price control guidelines. In the third quarter of fiscal year 2007, Brazilian courts reached a final and unappealable decision favorable to us. As of March 31, 2010, this account receivable from the government amounted to US\$187.4 million.

Costa Pinto, one of the entities through which Mr. Rubens Ometto Silveira Mello previously held Cosan's shares, its officers, directors, members of the fiscal council and controlling shareholders were party to an administrative proceeding initiated by the CVM for non-payment of minimum dividends to preferred shareholders during fiscal years 2000, 2002 and 2003. In this proceeding, it was asserted, among other things, that the equity method of accounting to determine net income available for dividends should not have been used. On July 14, 2004, a special preferred shareholders meeting approved the distribution of the dividends and ratified an agreement between the preferred shareholders and Costa Pinto. The parties entered into a consent decree with the CVM, agreeing to pay a total amount of R\$0.3 million, and as of the date of this annual report, all issues relating to such administrative proceeding have been resolved and Costa Pinto has paid all dividends due to its preferred shareholders.

On August 10, 2007, the CVM requested information from Mr. Rubens Ometto Silveira Mello, in his capacity as chairman of the board of directors and chief executive officer of Cosan, as to whether he breached any duty of loyalty to Cosan's minority shareholders under Brazilian law by taking actions to effect the corporate reorganization or by potentially usurping corporate opportunities otherwise available to Cosan, especially with regard to business activities outside of Brazil by our company that could be conducted by Cosan. Mr. Rubens Ometto Silveira Mello informed the CVM on August 14, 2007 that his roles in the corporate reorganization and with respect to the corporate reorganization have been, and will continue to be, conducted in compliance with Brazilian law.

In addition, during a meeting held on August 15, 2007, we were informed by CVM commissioners that, in their opinion, future conduct of business activities outside of Brazil by our company, when these activities could be carried out by Cosan, may breach provisions of Brazilian law relating to the duty of loyalty and corporate opportunities. The CVM stated that, if our company pursues in the future corporate opportunities outside Brazil to the detriment of Cosan, the CVM may bring an administrative proceeding against Mr. Rubens Ometto Silveira Mello or us, which we anticipate may result in the imposition of monetary penalties. Mr. Rubens Ometto Silveira Mello has informed us that he believes he has not, and we also believe that we have not, breached any applicable Brazilian law; and, as and if necessary, he and we will seek to take measures to ensure compliance with such law.

On December 5, 2007, following receipt of the approval of the Extraordinary Shareholders Meeting of Cosan, Cosan Limited, Cosan and Mr. Rubens Ometto Silveira Mello executed a "Commitment to Offer Commercial Opportunities," which regulates the terms and conditions in which the international commercial opportunities developed by Cosan Limited are to be offered to Cosan, allowing Cosan to participate, in accordance with the conditions established under the agreement, in those commercial opportunities.

Our company has undertaken to the CVM not to change the steps of the corporate reorganization as described in our registration statement on Form F-4 (Registration No. 333-147235) filed by the Company with the U.S. Securities and Exchange Commission as well as in this annual report, particularly with respect to the exchange offer to be made to Cosan shareholders.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

We consider market risk to be the potential loss arising from adverse changes in market rates and prices. We are exposed to a number of market risks arising from our normal business activities. Such market risks principally involve the possibility that changes in commodity prices, interest rates or exchange rates will adversely affect the value of our financial assets and liabilities or future cash flows and earnings. 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 derivative financial instruments for the purpose of managing market risks, primarily fluctuations in commodity prices and foreign exchange. While these hedging instruments fluctuate in value, these variations are generally offset by the value of the underlying hedged exposures. The counterparties to these contractual arrangements are primarily commodities exchanges, in the case of commodity futures and options, and major financial institutions, in the case of

foreign exchange derivative instruments and interest rate swaps. As a result, we do not believe that we are subject to any material credit risk arising from these contracts, and accordingly, we do not anticipate any material credit-related losses. We have formed a risk management committee that is responsible for advising the board on risk management, by establishing exposure limits and hedging ratios so as to achieve better operational and financial controls.

Commodities Risk

The availability and prices of agricultural commodities fluctuate widely due to unpredictable factors, such as weather, level of crop plantings, worldwide government agricultural programs and policies, changes in global demand resulting from population growth and migration, changes in standards of living and global production of similar competitive products. We enter into various types of derivative contracts, primarily commodity exchange-traded futures and options, in order to manage our exposure to adverse price changes in sugar. We use sensitivity analysis to regularly estimate our exposure to market risk on our agricultural commodity position.

Based on the sugar and ethanol sales volumes in fiscal year 2010, a hypothetical 10% decrease in unhedged prices would reduce our sugar and ethanol net sales by approximately US\$135.4 million and US\$93.4 million, respectively, in fiscal year 2010 (US\$67.5 million and US\$54.9 million, respectively, in transition fiscal year 2009) as set forth below.

| | Fair Value - Net Sales | Sales Volume | Market Risk - 10% Price Decrease |
|---|-----------------------------------|---|---|
| | (in millions of US\$) | (thousand tons of sugar or thousand liters of ethanol) | (in millions of US\$) |
| Sugar sales volumes in the twelve months ended | | | |
| March 31, 2010..... | 1,810.0 | 4,134.6 | 135.4 |
| Hedged sugar position at March 31, 2010 (*) | 455.7 | 1,738.4 | — |
| VHP sugar | 416.9 | 1,659.4 | — |
| White sugar | 38.7 | 79.0 | — |
| Unhedged sugar position at March 31, 2010 | 1,354.3 | 2,396.2 | 135.4 |
| Ethanol sales volume (unhedged) in fiscal year 2010 | 936.5 | 2,147.5 | 93.4 |
| Total unhedged position at March 31, 2010 | 2,290.8 | — | 229.0 |

(*) includes derivative futures and firm commitments with customers where there are already fixed prices for the sugar to be sold.

For risk management purposes and to evaluate our overall level of commodity price exposure, we further reduce our exposure to commodity market risk related to the sugar and ethanol produced from sugarcane that we purchase from growers and sugarcane harvested from leased land, as we pay for the lease costs in TSR. Unlike sugarcane harvested from our own land, the price of sugarcane supplied by growers or the lease payments we incur to produce sugarcane harvested by us from leased land is indexed to the market price of sugar and ethanol, which provides a partial natural hedge to our sugar price exposure. When we acquire sugarcane from growers, we take samples from the delivered sugarcane to measure its sugar content and pay only for the TSR that we acquire according to a formula established by CONSECANA. In addition, the lease payments are also calculated based on an established TSR volume and a price calculated using the CONSECANA formula. Based on the foregoing, we believe that a hypothetical 10% decrease in prices would increase our net commodities risk by US\$165.3 million (US\$76.5 as of March 31, 2009) as set forth below.

| | Fair Value - Net Sales | Commodities Risk - 10% Price Decrease |
|--|-----------------------------------|--|
| | (in millions of US\$) | (in millions of US\$) |
| Total unhedged position at March 31, 2010 | 2,290.8 | 229.1 |
| Sugarcane supplied by growers in fiscal year 2010..... | (512.7) | (51.3) |
| Sugarcane from leased land in fiscal year 2010 | (124.8) | (12.5) |
| Net unhedged position at March 31, 2010..... | 1,653.3 | 165.3 |

As of March 31, 2010, we had entered into hedging agreements with respect to 997.2 thousand tons of VHP sugar (Futures sold less Futures bought) at an average fixed price of US\$18.96 per pound and 65 thousand tons of refined sugar at an average fixed price of US\$595.78 per ton.

The table below provides information about the Company's sugar derivative contracts that are sensitive to changes in commodity prices, specifically sugar prices as of March 31, 2010. For the derivative contracts the table presents the notional amounts in tons, the weighted average contract prices, and the total US dollar contract amount by expected maturity dates.

On Balance Sheet Commodity Position and Related Derivatives:

| Derivatives | Future Exchange | Contract | Screen | Expiration Date | Strike | Number of contracts | Avg. Price | Settlement Price | Notional | Carrying Amount | Fair Value |
|--|-----------------|-------------|----------|-----------------|------------|---------------------|---------------|------------------|------------------|------------------|-----------------|
| | | | | | (¢US\$/lb) | lots | US\$/ton | US\$/ton | (tons) | (US\$'000) | (US\$'000) |
| Future contracts – sell commitments | LIFFE | White Sugar | May 2010 | Apr 30, 2010 | — | 200 | 597.25 | 504.00 | 10,000 | 5,973 | 933 |
| Future contracts - sell commitments | LIFFE | White Sugar | Aug 2010 | Jul 31, 2010 | — | 900 | 608.37 | 471.00 | 45,000 | 27,377 | 6,182 |
| Future contracts – sell commitments | LIFFE | White Sugar | Oct 2010 | Sep 30, 2010 | — | 200 | 537.63 | 463.00 | 10,000 | 5,376 | 746 |
| Future contracts – sell commitments | NYBOT | #11 | May 2010 | Apr 30, 2010 | — | 1,260 | 461.94 | 365.75 | 64,011 | 29,569 | 6,157 |
| Future contracts - sell commitments | NYBOT | #11 | Jul 2010 | Jun 30, 2010 | — | 6,613 | 436.18 | 363.98 | 335,956 | 146,539 | 24,256 |
| Future contracts - sell commitments | NYBOT | #11 | Oct 2010 | Sep 30, 2010 | — | 4,986 | 427.27 | 363.76 | 253,301 | 108,228 | 16,087 |
| Future contracts - sell commitments | NYBOT | #11 | Mar 2011 | Feb 28, 2011 | — | 152 | 456.35 | 368.17 | 7,722 | 3,524 | 681 |
| Future contracts - sell commitments | NYBOT | #11 | May 2011 | Apr 30, 2011 | — | 996 | 398.12 | 364.42 | 50,599 | 20,144 | 1,705 |
| Future contracts - sell commitments | NYBOT | #11 | Jul 2011 | Jun 30, 2011 | — | 1,146 | 376.34 | 360.46 | 58,220 | 21,910 | 925 |
| Future contracts - sell commitments | NYBOT | #11 | Oct 2011 | Sep 30, 2011 | — | 321 | 357.31 | 355.61 | 16,308 | 5,827 | 28 |
| Future contracts - sell commitments | OTC | #11 | Jul 2010 | Jun 30, 2010 | — | 4,500 | 407.63 | 363.98 | 228,611 | 93,190 | 9,972 |
| Future contracts - sell commitments | OTC | #11 | Oct 2010 | Sep 30, 2010 | — | 4,120 | 433.47 | 363.76 | 209,306 | 90,728 | 14,557 |
| Total future contracts - sell commitments | | | | | — | | | | 1,289,033 | 558,384 | 82,228 |
| Future contracts - buy commitments | NYBOT | #11 | May 2010 | Apr 30, 2010 | — | 525 | 515.45 | 365.75 | (26,671) | (13,748) | (3,993) |
| Future contracts - buy commitments | NYBOT | #11 | Jul 2010 | Jun 30, 2010 | — | 310 | 538.55 | 363.98 | (15,749) | (8,482) | (2,749) |
| Future contracts - buy commitments | NYBOT | #11 | Mar 2011 | Feb 28, 2011 | — | 3,629 | 436.62 | 368.17 | (184,362) | (80,496) | (12,619) |
| Total Future contracts - buy commitments | | | | | — | 4,464 | 452.97 | 367.60 | (226,782) | (102,725) | (19,361) |
| Subtotal futures | | | | | | | | | 1,062,251 | 455,659 | 62,867 |
| Call options – written | NYBOT | #11 | May 2010 | May 15, 2010 | 32.00 | 850 | 14.07 | 0.22 | 43,182 | 30,464 | (10) |
| Call options – written | NYBOT / OTC | #11 | Jul 2010 | Jul 15, 2010 | 20.00 | 5,987 | 28.63 | 8.38 | 304,154 | 134,109 | (2,548) |
| Call options – written | NYBOT / OTC | #11 | Oct 2010 | Oct 15, 2010 | 20.50 | 2,153 | 39.16 | 14.55 | 109,378 | 49,433 | (1,591) |
| Call options – written | NYBOT / OTC | #11 | Oct 2010 | Oct 15, 2010 | 21.00 | 1,784 | 41.20 | 13.23 | 90,631 | 41,960 | (1,199) |

| Derivatives | Future Exchange | Contract | Screen | Expiration Date | Strike | Number of contracts | Avg. Price | Settlement Price | Notional | Carrying Amount | Fair Value |
|---|-----------------|----------|----------|-----------------|------------|---------------------|------------|------------------|------------------|------------------|----------------|
| | | | | | (€US\$/lb) | lots | US\$/ton | US\$/ton | (tons) | (US\$*000) | (US\$*000) |
| Call options – written | NYBOT / OTC | #11 | Mar 2011 | Mar 15, 2011 | 24.50 | 1,485 | 40.05 | 12.35 | 75,442 | 40,748 | (931) |
| Call options – written | NYBOT | #11 | Mar 2011 | Mar 15, 2011 | 25.00 | 300 | 29.58 | 11.46 | 15,241 | 8,400 | (175) |
| Call options – written | NYBOT | #11 | Mar 2011 | Mar 15, 2011 | 30.00 | 200 | 15.76 | 6.61 | 10,160 | 6,720 | (67) |
| Put options – purchase | NYBOT / OTC | #11 | Jul 2010 | Jul 15, 2010 | 16.50 | 5,987 | 51.40 | 28.22 | 304,154 | 110,640 | 8,583 |
| Put options – purchase | NYBOT / OTC | #11 | Oct 2010 | Oct 15, 2010 | 17.00 | 1,385 | 53.42 | 43.65 | 70,361 | 26,370 | 3,071 |
| Put options – purchase | NYBOT / OTC | #11 | Oct 2010 | Oct 15, 2010 | 17.50 | 434 | 59.52 | 50.93 | 22,048 | 8,506 | 1,123 |
| Put options – written | NYBOT | #11 | Jul 2010 | Jul 15, 2010 | 16.50 | 5,987 | 6.32 | 28.22 | 304,154 | 110,640 | (8,583) |
| Put options – written | NYBOT | #11 | Oct 2010 | Oct 15, 2010 | 17.00 | 1,385 | 11.64 | 43.65 | 70,361 | 26,370 | (3,071) |
| Put options – written | NYBOT | #11 | Oct 2010 | Oct 15, 2010 | 17.50 | 459 | 6.12 | 50.93 | 23,318 | 8,996 | (1,188) |
| Subtotal options | | | | | | | | | 1,442,585 | 603,357 | (6,586) |
| Swap contracts - buy commitments | OTC | #11 | Oct 2010 | Oct 15, 2010 | | 985 | 562.18 | 6.17 | 50,040 | 28,132 | 309 |
| Swap contracts - buy commitments | OTC | #11 | Oct 2010 | Oct 15, 2010 | | 985 | 568.79 | 5.95 | 50,040 | 28,463 | 298 |
| Total swap contracts - buy commitments | | | | | | | | | 100,081 | 56,594 | 607 |
| Total commodities derivatives | | | | | | | | | 2,604,917 | 1,115,610 | 56,888 |

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. We engage in interest rate-related hedging transactions from time to time to hedge certain interest rate risk exposures. As of March 31, 2010, 54%, or US\$1.8 billion (84.4% or US\$1,716.3 million as of March 31, 2009) of our consolidated total debt outstanding was fixed rate debt. Interest rate risk is the effect on our financial results resulting from an increase in interest rates on our variable rate debt indexed to the London Interbank Offered Rate, or “LIBOR”, the Long-Term Interest Rate (*Taxa de Juros ao Longo Prazo*), or “TJLP”, IGP-M and Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or “CDI”. Based on the amount of our floating-interest rate indebtedness at March 31, 2010, net of the swap derivative exchanging Libor to a fixed interest rate, a hypothetical 10% increase in market interest rates would increase our interest expense by approximately US\$8 million in 2010 (US\$14.9 million in transition fiscal year 2009).

Foreign Currency Exchange Rate Risk

A significant part of our revenues in the Sugar and Ethanol segment are denominated in US dollars. To manage exchange rate risk, we have debt denominated in US dollars and we also enter into derivative contracts with various counterparties to protect ourselves against a possible appreciation of the *real* in relation to the US dollar. At March 31, 2010, we had outstanding currency derivatives fair valued at US\$29.6 million (US\$22.8 million in transition fiscal year 2009) which were represented by forward, future, swap and put option contracts as disclosed in note 5 to our audited consolidated financial statements included in this annual report. As a measure of our market risk with respect to our foreign currency exposure, a hypothetical 10% appreciation of the *real* against the US dollar would decrease our export sales by approximately US\$147 million per year, based on the level of our total export sales for the year ended March 31, 2010, before considering the effects on US dollar derivative contracts and other assets/ liabilities dollar denominated, as set forth below:

| | Notional amount/ Quantity | Estimated Fair value Asset (Liability) (in millions of US\$) | Foreign Exchange Gain/ Loss – 10% FX rate Increase |
|--|------------------------------|---|--|
| US dollar financial instruments outstanding as at March 31, 2010: | | | |
| US dollar-denominated debt..... | (2,058,942) | (2,058,942) | (205.894) |
| US dollar-denominated other assets/ liabilities, except derivative instruments..... | 226,980 | 226,980 | 22,698 |
| | (1,831,962) | (1,831,962) | (183,196) |
| US dollar-denominated derivative financial instruments (net)..... | | | |
| - Forward contracts sold | (573,250) | 4,490 | (26,219) |
| - Forward contracts bought..... | 571,500 | (4,226) | 16,766 |
| - Future contracts sold | (487,800) | 20,527 | (38,173) |
| - Options purchased (Put option)..... | (372,568) | 8,826 | 930 |
| | | 29,617 | (46,696) |
| Net potential impact | | | (229,892) |

Item 12. Description of Securities other than Equity Securities

Not applicable.

PART II

[Intentionally omitted]

PART III

[Intentionally omitted]

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FINANCIAL STATEMENTS

Unaudited Interim Consolidated Financial Statements of Cosan S.A. Indústria e Comércio

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Audited Consolidated Financial Statements of Cosan S.A. Indústria e Comércio

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Report of independent registered public accounting firm

To the Board of Directors and Shareholders of
Cosan S.A. Indústria e Comércio

We have reviewed the condensed consolidated balance sheet of Cosan S.A. Indústria e Comércio and subsidiaries as of June 30, 2010, the related condensed consolidated statements of operations and cash flows for the three-month periods ended June 30, 2010 and 2009 and the condensed consolidated statement of shareholders' equity and comprehensive income (loss) for the three-month period ended June 30, 2010. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Cosan S.A. Indústria e Comércio and subsidiaries as of March 31, 2010, and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended not presented herein and in our report dated June 10, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2010, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

São Paulo, Brazil
August 12, 2010

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP015199/O-8

Luiz Carlos Nannini
Accountant CRC 1SP171638/O-7

COSAN S.A. INDÚSTRIA E COMÉRCIO

Condensed consolidated balance sheets
 June 30, 2010 and March 31, 2010
 (In thousands of U.S. dollars, except share data)

| | (Unaudited) June 30, 2010 | March 31, 2010 |
|--|--|---------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | 585,575 | 605,483 |
| Restricted cash | 28,462 | 25,251 |
| Derivative financial instruments | 80,215 | 129,456 |
| Trade accounts receivable, less allowances: June 30, 2010 – \$31,206; March 31, 2010 – \$32,144 | 343,673 | 430,328 |
| Inventories | 795,814 | 587,720 |
| Advances to suppliers | 179,557 | 132,258 |
| Recoverable taxes | 197,266 | 184,090 |
| Other current assets | 65,626 | 48,303 |
| | <u>2,276,188</u> | <u>2,142,889</u> |
| Property, plant, and equipment, net | 4,059,075 | 3,997,815 |
| Goodwill | 1,289,354 | 1,289,625 |
| Intangible assets, net | 580,590 | 600,573 |
| Accounts receivable from federal government | 186,663 | 187,385 |
| Judicial deposits | 93,739 | 94,083 |
| Other non-current assets | 450,545 | 423,447 |
| | <u>6,659,966</u> | <u>6,592,928</u> |
| Total assets | <u><u>8,936,154</u></u> | <u><u>8,735,817</u></u> |

| | (Unaudited) June 30, 2010 | March 31, 2010 |
|--|--|---------------------------------|
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Trade accounts payable | 397,588 | 319,707 |
| Taxes payable | 109,548 | 121,203 |
| Salaries payable | 122,058 | 79,497 |
| Current portion of long-term debt | 473,176 | 445,593 |
| Derivative financial instruments | 20,781 | 43,067 |
| Dividends payable | 64,707 | 65,451 |
| Other current liabilities | 173,522 | 111,971 |
| | 1,361,380 | 1,186,489 |
| Long-term liabilities: | | |
| Long-term debt | 2,915,024 | 2,842,953 |
| Estimated liability for legal proceedings and labor claims | 297,743 | 294,605 |
| Taxes payable | 380,702 | 381,805 |
| Deferred income taxes | 403,241 | 408,832 |
| Other long-term liabilities | 151,794 | 154,728 |
| | 4,148,504 | 4,082,923 |
| Shareholders' equity | | |
| Cosan shareholders' equity: | | |
| Common stock, no par value. Authorized 406,560,317 shares; issued and outstanding 406,560,317 as of June 30, 2010 and as of March 31, 2010 | 2,420,018 | 2,420,018 |
| Treasury stock | (1,979) | (1,979) |
| Additional paid-in capital | 390,884 | 390,600 |
| Accumulated other comprehensive income | 314,686 | 343,136 |
| Retained earnings | 268,688 | 281,238 |
| Equity attributable to shareholders of Cosan | 3,392,297 | 3,433,013 |
| Equity attributable to noncontrolling interests | 33,973 | 33,392 |
| Total shareholders' equity | 3,426,270 | 3,466,405 |
| Total liabilities and shareholders' equity | 8,936,154 | 8,735,817 |

See accompanying notes to condensed consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Condensed consolidated statements of operations
 Three-month periods ended June 30, 2010 and 2009
 (In thousands of U.S. dollars, except share data)
 (Unaudited)

| | June 30, 2010 | June 30, 2009 |
|---|--------------------------|--------------------------|
| Net sales | 2,233,840 | 1,720,270 |
| Cost of goods sold | (1,993,162) | (1,560,626) |
| Gross profit | 240,678 | 159,644 |
| Selling expenses | (122,709) | (102,072) |
| General and administrative expenses | (67,906) | (7,660) |
| Operating income | 50,063 | 49,912 |
| Other income (expenses): | | |
| Financial income | 48,989 | 151,409 |
| Financial expenses | (108,838) | 66,133 |
| Other | (133) | (7,921) |
| (Loss) income before income taxes and equity in income (loss) of affiliates | (9,919) | 259,533 |
| Income taxes expense | (1,242) | (76,543) |
| (Loss) income before equity in income (loss) of affiliates | (11,161) | 182,990 |
| Equity income (loss) of affiliates | 553 | (1,713) |
| Net (loss) income | (10,608) | 181,277 |
| Less net (loss) income attributable to noncontrolling interests | (1,942) | 3,737 |
| Net (loss) income attributable to Cosan | (12,550) | 185,014 |
| Per-share amounts attributable to Cosan | | |
| Net (loss) income | | |
| Basic | (0.03) | 0.58 |
| Diluted | * | 0.57 |
| Weighted number of shares outstanding | | |
| Basic | 406,560,317 | 313,845,887 |
| Diluted ** | * | 315,396,031 |

* Antidilutive

** Adjusted for the effect of dilutive stock options

See accompanying notes to condensed consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Condensed consolidated statements of shareholders' equity and comprehensive income (loss)
 Three-month period ended June 30, 2010
 (In thousands of U.S. dollars, except share data)
 (Unaudited)

| | Common stock | | Treasury stock | | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income |
|--|--------------------|------------------|----------------|----------------|----------------------------------|----------------------|---|
| | shares | amount | shares | amount | | | |
| Balances at March 31, 2010 | 406,560,317 | 2,420,018 | 343,139 | (1,979) | 390,600 | 281,238 | 343,136 |
| Share based compensation | - | - | - | - | 284 | - | - |
| Net (loss) income | - | - | - | - | - | (12,550) | - |
| Effective portion of gains/losses on derivative instrument that qualifies as a cash flow hedge | - | - | - | - | - | - | 11,125 |
| Pension Plan | - | - | - | - | - | - | (515) |
| Currency translation adjustment | - | - | - | - | - | - | (39,060) |
| Total comprehensive loss | - | - | - | - | - | - | - |
| Balances at June 30, 2010 | <u>406,560,317</u> | <u>2,420,018</u> | <u>343,139</u> | <u>(1,979)</u> | <u>390,884</u> | <u>268,688</u> | <u>314,686</u> |

See accompanying notes to condensed consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Condensed consolidated statements of cash flows
 Three-month periods ended June 30, 2010 and 2009
 (In thousands of U.S. dollars)
 (Unaudited)

| | June 30, 2010 | June 30, 2009 |
|---|--------------------------|--------------------------|
| Cash flow from operating activities | | |
| Net (loss) income for the year attributable to Cosan | (12,550) | 185,014 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 144,484 | 100,134 |
| Deferred income taxes | (5,288) | 65,989 |
| Interest, monetary and exchange variation | 72,054 | (136,300) |
| Others | 27,339 | (31,095) |
| Decrease/increase in operating assets and liabilities | | |
| Trade accounts receivable, net | 85,072 | 56,541 |
| Inventories | (157,992) | 88,423 |
| Advances to suppliers | (42,561) | (38,804) |
| Recoverable taxes | (11,826) | 5,326 |
| Trade accounts payable | 81,518 | 24,065 |
| Derivative financial instruments | 67,709 | (16,246) |
| Taxes payable | (16,119) | (29,270) |
| Other assets and liabilities, net | 76,258 | 24,784 |
| Net cash provided by operating activities | 308,098 | 298,561 |
| Cash flows from investing activities: | | |
| Restricted cash | (28,462) | (14,516) |
| Cash received from sales of noncurrent assets | - | 60,325 |
| Acquisition of investment | (2,080) | (2,050) |
| Acquisition of property, plant and equipment | (333,280) | (226,994) |
| Acquisitions, net of cash acquired | 372 | 32,045 |
| Net cash used in investing activities | (363,450) | (151,190) |
| Cash flows from financing activities: | | |
| Related parties | - | (62,184) |
| Additions of long-term debt | 356,588 | 88,593 |
| Payments of long-term debt | (311,767) | (65,510) |
| Net cash provided by (used in) financing activities | 44,821 | (39,101) |
| Effect of exchange rate changes on cash and cash equivalents | (9,379) | 59,048 |
| Net increase (decrease) in cash and cash equivalents | (19,908) | 167,318 |
| Cash and cash equivalents at beginning of period | 605,483 | 310,710 |
| Cash and cash equivalents at end of period | 585,575 | 478,028 |
| Supplemental cash flow information | | |
| Cash paid during the period for: | | |
| Interest | 47,094 | 22,063 |
| Income taxes | 3,391 | 18,287 |

See accompanying notes to condensed consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

1. Operations

Cosan S.A. Indústria e Comércio and subsidiaries (“Cosan” or “the Company”) is incorporated under the laws of the Federative Republic of Brazil. Cosan shares are traded on the São Paulo Stock Exchange (Bovespa).

Cosan Limited, a company incorporated in Bermuda, is the controlling shareholder of Cosan holding a 62.27% interest therein as of June 30, 2010 (62.27% as of March 31, 2010). The class “A” common shares of Cosan Limited are traded in the New York Stock Exchange (NYSE) and Bovespa.

The companies included in the consolidated financial statements have as their primary activity the production of ethanol and sugar, the marketing and distribution of fuel and lubricants in Brazil, and logistics services in the state of São Paulo, Brazil.

On February 1, 2010, the Company announced that it, along with Royal Dutch Shell, had reached a non-binding memorandum of understanding to form a joint venture for a combined 50/50 investment. Cosan will contribute its sugar and ethanol and its distribution assets to the joint venture while Shell will contribute its distribution assets in Brazil. Shell will also make a fixed cash contribution in the amount of \$1,625 billion over a 2 year period. The closing of this transaction is dependent upon the conclusion of the negotiations. During the three-month period ended June 30, 2010, this association did not generate any accounting records.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

2. Presentation of the consolidated financial statements

a. Basis of reporting for interim financial statements

In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's results for the periods presented. Interim results for the three-month period ended June 30, 2010, are not necessarily indicative of the results that may be expected for the fiscal year.

The unaudited condensed consolidated financial statements include the accounts of Cosan and its subsidiaries. All significant intercompany transactions have been eliminated.

These financial condensed consolidated statements should be read in conjunction with Cosan's annual financial consolidated statements for the fiscal year ended March 31, 2010.

The accounts of Cosan and its subsidiaries are maintained in Brazilian reais, which is the functional currency. The accounts have been translated into U.S. dollars in accordance with Accounting Standards Codification ("ASC") 830, "*Foreign Currency Matters*".

The exchange rate of the Brazilian *real* (R\$) to the US\$ was R\$1.8015=US\$ 1.00 at June 30, 2010 and R\$1.7810=US\$1.00 at March 31, 2010.

b. Use of estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from these estimates. These estimates and assumptions are reviewed and updated regularly to reflect recent experience.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

2. Presentation of the consolidated financial statements (Continued)

c. New Accounting Pronouncements

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*, which will require companies to make new disclosures about recurring or nonrecurring fair value measurements including significant transfers into and out of Level 1 and Level 2 fair value hierarchies and information on purchases, sales, issuance and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. The ASU is effective prospectively for financial statements issued for fiscal years and interim periods beginning after December 15, 2009. The new disclosures about purchases, sales, issuance and settlements on a gross basis in the reconciliation of Level 3 fair value measurements is effective for interim and annual reporting periods beginning after December 15, 2010. The Company expects that the adoption of ASU 2010-06 will not have a material impact on its consolidated financial statements.

d. Derivative financial instruments

Cosan accounts for derivative financial instruments utilizing ASC 815, "*Accounting for Derivative Instruments and Hedging Activities*", as amended. As part of Cosan's risk management program, it uses a variety of financial instruments, including commodity futures contracts, forward currency agreements, interest rate and foreign exchange swap contracts and option contracts. Beginning April 1, 2010 Cosan recognized a portion of its derivative instruments as cash flow hedge transactions. The derivative instruments are measured at fair value and the gains or losses resulting from the changes in fair value of the instruments are recorded in financial income or financial expense or other comprehensive income when designated as a cash flow hedge. See note 12 for further detail.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

3. Inventories

| | <u>June 30, 2010</u> | <u>March 31, 2010</u> |
|--|--------------------------|---------------------------|
| Finished goods: | | |
| Sugar | 165,911 | 52,561 |
| Ethanol | 178,626 | 31,573 |
| Lubricants and fuel (Gasoline, Diesel and Ethanol) | 151,562 | 149,613 |
| | <u>496,099</u> | <u>233,747</u> |
| | | |
| Annual maintenance cost of growing crops | 203,896 | 243,709 |
| Others | 95,819 | 110,264 |
| | <u>795,814</u> | <u>587,720</u> |

4. Taxes payable

| | <u>June 30, 2010</u> | <u>March 31, 2010</u> |
|--|--------------------------|---------------------------|
| ICMS – State VAT | 21,059 | 27,623 |
| IP | 8,559 | 3,582 |
| INSS | 13,328 | 13,414 |
| PIS | 2,608 | 4,564 |
| COFINS | 12,136 | 18,010 |
| Tax Recovery from Brazilian Law No 11.941/09 and MP 470/09 | 367,834 | 373,650 |
| Income Tax and Social Contribution | 52,564 | 50,471 |
| Others | 12,162 | 11,694 |
| | <u>490,250</u> | <u>503,008</u> |
| Current liabilities | <u>(109,548)</u> | <u>(121,203)</u> |
| Long-term liabilities | <u>380,702</u> | <u>381,805</u> |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

5. Long-term debt

Long-term debt is summarized as follows:

| | Index | Average annual interest rate | June 30, 2010 | March 31, 2010 |
|----------------------------|-----------|------------------------------------|------------------|-------------------|
| Resolution No. 2471 (PESA) | IGP-M | 3.9% | 305,050 | 295,291 |
| Senior notes due 2014 | US Dollar | 9.5% | 362,838 | 354,433 |
| Senior notes due 2017 | US Dollar | 7.0% | 411,589 | 404,589 |
| Perpetual notes | US Dollar | 8.3% | 455,304 | 455,304 |
| BNDES | TJLP | 3.6% | 741,719 | 520,068 |
| Credit notes | DI | 2.4% | 169,220 | 212,660 |
| Credit notes | US Dollar | 6.2% | 101,076 | 102,656 |
| Export Pre-payments | US Dollar | 6.2% | 495,805 | 547,230 |
| Others | Various | Various | 345,599 | 396,315 |
| | | | 3,388,200 | 3,288,546 |
| Current portion | | | (473,176) | (445,593) |
| Long-term debt | | | 2,915,024 | 2,842,953 |

Long-term debt has the following scheduled maturities:

| | |
|---------------------|------------------|
| 2011 | 366,293 |
| 2012 | 360,990 |
| 2013 | 421,913 |
| 2014 | 206,167 |
| 2015 | 79,188 |
| 2016 | 478,703 |
| 2017 | 94,782 |
| 2018 and thereafter | 906,988 |
| | 2,915,024 |

Resolution No. 2471 - Special Agricultural Financing Program (Programa Especial de Saneamento de Ativos), or PESA

To extend the repayment period of debts incurred by Brazilian agricultural producers, the Brazilian government passed Law 9.138 followed by Central Bank Resolution 2,471, which, together, formed the PESA program. PESA offered certain agricultural producers with certain types of debt the opportunity to acquire Brazilian treasury bills ("CTNs") in an effort to restructure their agricultural debt. The face value of the Brazilian treasury bills was the equivalent of the value of the restructured debt and was for a term of 20 years.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

5. Long-term debt (Continued)

Resolution No. 2471 - Special Agricultural Financing Program (Programa Especial de Saneamento de Ativos), or PESA (Continued)

The acquisition price was calculated by the present value, discounted at a rate of 12% per year or at the equivalent of 10.4% of its face value. The CTNs were deposited as a guarantee with a financial institution and cannot be renegotiated until the outstanding balance is paid in full. The outstanding balance associated with the principal is adjusted in accordance with the IGP-M until the expiration of the restructuring term, which is also 20 years, at which point the debt will be discharged in exchange for the CTNs. Because the CTNs will have the same face value as the outstanding balance at the end of the term, it will not be necessary to incur additional debt to pay PESA debt.

On July 31, 2003, the Central Bank issued Resolution 3,114, authorizing the reduction of up to five percentage points of PESA related interest rates, effectively lowering the above-mentioned rates to 3%, 4% and 5%, respectively. The CTNs held by Cosan as of June 30, 2010 and March 31, 2010 amounted to \$137,653 and \$133,039, respectively, and are classified as other non-current assets.

Senior notes due 2017

On January 26, 2007, the wholly-owned subsidiary Cosan Finance Limited issued \$400,000 of senior notes in the international capital markets. These senior notes, listed on the Luxembourg Stock Exchange, mature in November 2017 and bear interest at a rate of 7% per annum, payable semi-annually. The senior notes are guaranteed by Cosan, and its subsidiary, Cosan Açúcar e Álcool.

Senior notes due 2014

On August 4, 2009, the indirect subsidiary CCL Finance Limited issued \$350,000 of senior notes in the international capital markets. These senior notes, listed on the Luxembourg Stock Exchange, mature in August 2014 and bear interest at a rate of 9.5% per annum, payable semi-annually in February and August of each year, from February of 2010.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

5. Long-term debt (Continued)

Perpetual notes

On January 24 and February 10, 2006, Cosan issued perpetual notes which are listed on the Luxembourg Stock Exchange - EURO MTF. These notes bear interest at a rate of 8.25% per year, payable quarterly on May 15, August 15, November 15 and February 15 of each year, beginning May 15, 2006.

These notes may, at the discretion of Cosan, be redeemed on any interest payment date subsequent to February 15, 2011. The notes are guaranteed by Cosan and by Cosan Açúcar e Álcool.

Export Pre-payment Notes

During the third quarter of 2009, the Company obtained funds from export pre-payment notes for the total amount of \$530,000. The export pre-payment notes are due from 2012 through 2014, and bear interest of Libor plus 6.2%.

BNDES

Refers to the financing of cogeneration projects, as well as the financing of Jataí and Caarapó greenfields (sugar and ethanol mills). The BNDES financing is due from 2012 through 2025.

Credit Notes

The Company executed several credit note agreements with several financial institutions during 2010 which will be paid through export operations during 2012. The credit notes bear interest at rates between 2.1% and 6.2% per annum, payable semi-annually.

Covenants

Cosan and its subsidiaries are subject to certain restrictive covenants related to their indebtedness.

At June 30, 2010, Cosan was in compliance with its debt covenants.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

6. Related parties

Assets and liabilities with related parties are summarized as follows:

| | Assets | |
|--|--------------------------|---------------------------|
| | June 30, 2010 | March 31, 2010 |
| Rezende Barbosa S.A. Administração e Participações | 48,262 | 48,889 |
| Vertical UK LLP | 18,035 | 8,403 |
| Others | 5,585 | 2,377 |
| | <u>71,882</u> | <u>59,669</u> |
| Current (*) | (27,690) | (13,958) |
| Noncurrent (*) | 44,192 | 45,711 |
| | | |
| | Liabilities | |
| | June 30, 2010 | March 31, 2010 |
| Rezende Barbosa S.A. Administração e Participações | 60,948 | - |
| Logisport Armazéns Gerais S.A. | 4,161 | 6,313 |
| Others | 1,543 | 1,781 |
| | <u>66,652</u> | <u>8,094</u> |
| Current (*) | (66,652) | (8,094) |
| Noncurrent | - | - |

(*) included in other current and non-current assets or liabilities

A receivable of \$48,262 (\$48,889 as of March 31, 2010) with Rezende Barbosa S.A. Administração e Participações related to credits assumed by Rezende Barbosa, in connection with the acquisition of Cosan Alimentos and intercompany loans.

The amount receivable from the affiliate Vertical UK LLP, refers to ethanol trading, with an average maturity date of 30 days.

A payable of \$60,948 with Rezende Barbosa S.A. Administração e Participações related to purchase of sugar cane. This amount is presented offset of credits assumed by Rezende Barbosa, in connection with the acquisition of Cosan Alimentos and intercompany loans.

The payable to Logisport is related to the remaining payment in connection with the interest acquired.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

6. Related parties (Continued)

Cosan conducts some of its operations through various joint ventures and other partnership forms which are principally accounted for using the equity method. The condensed consolidated income statement includes the following amounts resulting from transactions with related parties:

| | <u>June 30,</u> <u>2010</u> | <u>June 30,</u> <u>2009</u> |
|--|--------------------------------|--------------------------------|
| Transactions involving assets | | |
| Cash received due to the sale of finished products, services performed, and assets held, net of payments | (29,720) | (38,781) |
| Sale of finished products and services | - | 146,986 |
| Purchase of finished products and services | - | (146,986) |
| Sale of finished products and services in a subsidiary | 42,676 | 35,386 |
| Receivables added through acquisition of Nova América | - | 71,061 |
| Transactions involving liabilities | | |
| Payment of financial resources, net of funding | (4,510) | (1,809) |
| Purchase of sugar cane | 63,449 | - |
| Financial income/expenses | - | (30,885) |

The purchase and sale of products are carried out at arm's length and unrealized profit or losses with consolidated companies have been eliminated. Those operations are also carried out at prices and under conditions similar to those existing in the market.

At June 30 and March 31, 2010, Cosan S.A. and its subsidiaries were lessees of approximately 68,000 hectares (unaudited) of affiliated companies' land and land of its related party Radar Propriedades Agrícolas S.A., which is controlled by another shareholder. These operations are carried out under conditions and prices similar to those prevailing in the market, calculated based on sugarcane tons per hectare, valued in accordance with the price established by CONSECANA (São Paulo State Council of Sugarcane, Sugar and Ethanol Producers).

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

7. Estimated liability for legal proceedings and labor claims and commitments

| | June 30, 2010 | March 31, 2010 |
|-------------------------------|--------------------------|---------------------------|
| Tax contingencies | <u>174,837</u> | <u>173,924</u> |
| Civil and labor contingencies | <u>122,906</u> | <u>120,681</u> |
| | <u>297,743</u> | <u>294,605</u> |

Cosan and its subsidiaries are parties in various ongoing labor claims, civil and tax proceedings in Brazil arising in the normal course of its business. Respective provisions for contingencies were recorded considering those cases in which the likelihood of loss has been rated as probable. Management believes resolution of these disputes will have no significant effect compared to the estimated amounts accrued.

Judicial deposits recorded by Cosan under other non-current assets, in the balance sheets, amounting to \$74,406 at June 30, 2010 (\$94,083 at March 31, 2010) have been made for certain of these suits. Judicial deposits are restricted assets of Cosan placed on deposit with the court and held in judicial escrow pending legal resolution of the related legal proceedings.

The major tax contingencies as of June 30, 2010 and March 31, 2010 are described as follows:

| | June 30, 2010 | March 31, 2010 |
|-----------------------------|--------------------------|---------------------------|
| Compensation with Finsocial | <u>97,329</u> | <u>97,114</u> |
| ICMS credits | <u>44,105</u> | <u>33,824</u> |
| PIS and Cofins | <u>14,099</u> | <u>11,910</u> |
| IPI – Federal VAT | <u>4,686</u> | <u>4,692</u> |
| Other | <u>14,618</u> | <u>26,384</u> |
| | <u>174,837</u> | <u>173,924</u> |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

7. Estimated liability for legal proceedings and labor claims and commitments (Continued)

The detail of the movement in the estimated liability for legal proceedings and labor claims is as follows:

| | |
|----------------------------------|----------------|
| Balance at March 31, 2010 | 294,605 |
| Provision | 7,494 |
| Settlements | (1,004) |
| Foreign currency translation | (3,352) |
| Balance at June 30, 2010 | 297,743 |

In addition to the aforementioned claims, Cosan and its subsidiaries are involved in other contingent liabilities relating to tax, civil and labor claims and environmental matters, which have not been recorded, considering their current stage and the likelihood of unfavorable outcomes rated as possible. These claims are broken down as follows:

| | June 30, 2010 | March 31, 2010 |
|-----------------------------------|--------------------------|---------------------------|
| Withholding Income Tax | 103,579 | 102,652 |
| ICMS – State VAT | 187,457 | 180,988 |
| IAA - Sugar and Ethanol Institute | 1,418 | 1,428 |
| IPI - Federal Value-added tax | 239,167 | 246,190 |
| INSS | 2,364 | 2,280 |
| PIS and COFINS | 80,567 | 80,604 |
| Civil and labor | 278,883 | 275,403 |
| Other | 72,733 | 66,134 |
| | 966,168 | 955,679 |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

8. Accounts receivable from Federal Government

The subsidiary Cosan Açúcar e Álcool has several indemnification suits filed against the Federal Government. The suits relate to product prices that did not conform to the reality of the market, which were mandatorily established at the time the sector was under the Government's control.

In connection with one of these suits, a final and unappealable decision in the amount of US\$149,121 was rendered in September 2006 in favor of Usina de Barra. This has been recorded as a gain in the statement of operations in 2007. Since the recorded amount is substantially composed of interest and monetary restatement, it was recorded in financial income and in a non-current receivable on the balance sheet. In connection with the settlement process, the form of payment continues to be negotiated with the government.

At June 30, 2010, the receivable and corresponding lawyers' fees totaled US\$186,663 and US\$22,399 (US\$187,385 and US\$22,486 at March 31, 2010), respectively.

9. Income taxes

Income tax benefit (expense) attributable to income from operations for the three-month periods ended June 30, 2010 and 2009 consists of:

| | <u>June 30, 2010</u> | <u>June 30, 2009</u> |
|---------------------------------|-----------------------|----------------------|
| Income taxes benefit (expense): | | |
| Current | (6,530) | (11,240) |
| Deferred | 5,288 | (65,303) |
| | <u>(1,242)</u> | <u>(76,543)</u> |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

9. Income taxes (Continued)

Income taxes for the three-month periods ended June 30, 2010 and 2009 differed from the amounts computed by applying the income tax rate of 25% and social contribution tax rate of 9% to income before income taxes due to the following:

| | <u>June 30, 2010</u> | <u>June 30, 2009</u> |
|---|----------------------|----------------------|
| Income (loss) before income taxes and equity in income (loss) of affiliates | (9,919) | 259,533 |
| Income tax benefit (expense) at statutory rate — 34% | 3,373 | (88,241) |
| Increase (reduction) in income taxes resulting from: | | |
| Equity in earnings of affiliates not subject to taxation | 188 | (582) |
| Tax loss on tax free entities | (1,856) | - |
| Nondeductible goodwill amortization | - | 12,206 |
| Nondeductible donations and contributions | (817) | (236) |
| Recognized granted options | (97) | (570) |
| Others | (2,033) | 880 |
| Income tax (expense) benefit | <u>(1,242)</u> | <u>(76,543)</u> |

Cosan accounts for unrecognized tax benefits in accordance with ASC 740, “Accounting for Uncertainty in Income Taxes”. A reconciliation of the beginning and ending amount of unrecognized tax benefits in the estimated liability for legal proceedings, and labor claims, is as follows

| | |
|--|---------------|
| Balance at March 31, 2010 | 49,013 |
| Accrued interest on unrecognized tax benefit | 709 |
| Settlements | - |
| Effect of foreign currency translation | (558) |
| Balance at June 30, 2010 (*) | <u>49,164</u> |

(*) Recorded as taxes payable (long-term)

It is possible that the amount of unrecognized tax benefits will change in the next twelve months, however, an estimate of the range of the possible change cannot be made at this time due to the long time to reach a settlement agreement or decision with the taxing authorities.

The Company and its subsidiaries file income tax returns in Brazil and they are subject to income tax examinations by the relevant tax authorities for the years 2005 through 2010.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

10. Shareholders' equity

Capital

As of June 30, 2010, the Company's capital is represented by 406,560,317 common shares (406,560,317 as of March 31, 2010), with no par value.

Treasury stock

During ended March 31, 2009, the Company acquired 343,139 common shares from dissident shareholders related to a prior acquisition. These shares are held in treasury.

11. Deferred gain on sale of investments in subsidiaries

Agrícola Ponte Alta S.A. is a subsidiary whose principal assets are land used for the growing of sugarcane for Cosan. On December 15, 2008, the shareholders approved a partial spin-off of the assets of Ponte Alta and created four new subsidiaries. Agricultural land was then transferred from Ponte Alta to each of the entities. On December 30, 2008, two of the entities, Nova Agrícola Ponte Alta S.A. and Terras da Ponte Alta S.A. were sold to Radar, an affiliate company accounted for by the equity method. The selling price was fair value, \$123,596, which resulted in a gain of \$47,080. This gain has previously been deferred since there were no lease contracts executed for the land, which was being used by Cosan for a monthly fee. During the year ended March 31, 2009 the lease contracts were executed, and the gain is being amortized to profit and loss over the 19 year average term of the leases since then.

During the three-month period ended June 30, 2010, the Company recognized a gain of \$939 related to this sale-leaseback transaction.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
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(Unaudited)

12. Share-based compensation

Cosan offers a stock option plan to officers and employees. The plan authorizes the issue of up to 5% of the shares comprising Cosan's share capital. The exercise of options may be settled only through issuance of new common shares or treasury shares.

The employees that leave Cosan before the vesting period will forfeit 100% of their rights. However, if the employment is terminated by Cosan without cause, the employees will have right to exercise 100% of their options of that particular year plus the right to exercise 50% of the options of the following year.

The fair value of share-based awards was estimated using a binominal model with the following assumptions:

| | Options granted on September 22, 2005 | Options granted on September 11, 2007 | Options granted on August 7, 2009 |
|--|--|--|--|
| Grant price - in U.S. dollars | 3.39 | 3.39 | 3.39 |
| Expected life (in years) | 7.5 | 7.5 | Immediate |
| Interest rate | 14.52% | 9.34% | (1) |
| Expected Volatility | 34.00% | 46.45% | (1) |
| Expected Dividend yield | 1.25% | 1.47% | (1) |
| Weighted-average fair value at grant date - in U.S. dollars | 6.86 | 5.67 | (1) |

(1) The options were fully vested at the date of issuance so the fair value was the quoted market price as of the grant date.

As of June 30, 2010, the amount of \$1,360 related to the unrecognized compensation cost related to stock options is expected to be recognized in 3 months.

As of June 30, 2010 there were 653,976 options outstanding with a weighted-average exercise price of \$3.39.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

13. Risk management and financial instruments

a) Risk management

The Company is exposed to market risks, mainly related to the volatility of sugar prices and foreign exchange rates. Management analyzes these risks and uses financial instruments to hedge a portion of the risk exposure.

On June 30 and March 31, 2010, fair values related to transactions involving derivative financial instruments with the purpose of hedge or other purposes were measured at market value (fair value) by observables factors such as quoted prices in active markets or discounted cash flows based on market curves and are presented below:

| | Notional | | Fair Value | |
|--------------------------|------------------|-------------------|------------------|-------------------|
| | June 30, 2010 | March 31, 2010 | June 30, 2010 | March 31, 2010 |
| Price risk | | | | |
| Commodity derivatives | | | | |
| Future contracts | 609,197 | 661,110 | 26,497 | 63,101 |
| Options contracts | 22,410 | 603,357 | (1,831) | (6,586) |
| Swap contracts | - | 56,594 | - | 607 |
| | | | 24,666 | 57,121 |
| Exchange rate risk | | | | |
| Exchange rate derivative | | | | |
| Future contracts | 317,325 | 1,180,829 | 1,537 | 264 |
| Forward contracts | 685,601 | 537,422 | 27,899 | 20,527 |
| Options contracts | 518,736 | 377,036 | 6,162 | 8,827 |
| Swap contracts | 178,753 | 180,810 | - | - |
| | | | 35,598 | 29,618 |
| Interest rate risk | | | | |
| Interest derivative | 287,977 | 291,291 | (830) | (350) |
| | | | (830) | (350) |
| TOTAL | | | 59,434 | 86,389 |
| Total Assets | | | 80,215 | 129,456 |
| Total Liabilities | | | (20,781) | (43,067) |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

13. Risk management and financial instruments (Continued)

b) Price risk

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

| Price risk: price derivatives outstanding on June 30, 2010 | | | | | | |
|--|------------------|-----------|-------------|----------|----------|-----------------|
| Derivative | Purchased / sold | Market | Contract | Maturity | Notional | Fair value |
| <i>Derivative financial instruments designated in the cash flow hedge accounting</i> | | | | | | |
| Swap | Sold | OTC | #11 | Sep-10 | 90,728 | 16,598 |
| Future | Sold | NYBOT | #11 | Sep-10 | 82,819 | 7,059 |
| Future | Sold | NYBOT | #11 | Feb-11 | 68,355 | 2,231 |
| Future | Sold | NYBOT | #11 | Apr-11 | 23,093 | 2,300 |
| Future | Sold | NYBOT | #11 | Jun-11 | 86,411 | 2,145 |
| Future | Sold | NYBOT | #11 | Sep-11 | 52,284 | 22 |
| | | | | | | 30,355 |
| <i>Derivative financial instruments not designated in the cash flow hedge accounting</i> | | | | | | |
| Future | Sold | LIFFE | White Sugar | Jul-10 | 14,385 | (1,558) |
| Future | Sold | LIFFE | White Sugar | Sep-10 | 10,862 | 655 |
| Future | Sold | NYBOT | #11 | Sep-10 | 89,377 | 10,212 |
| | | | | | | 9,309 |
| Future | Purchased | NYBOT | #11 | Sep-10 | (4,225) | 74 |
| Future | Purchased | NYBOT | #11 | Feb-11 | (80,496) | (13,148) |
| Future | Purchased | NYBOT | #11 | Apr-11 | (1,930) | (79) |
| Future | Purchased | NYBOT | #11 | Jun-11 | (1,871) | (88) |
| | | | | | | (13,241) |
| Future | Purchased | NYMEX | HO | Jul-10 | (2,361) | 74 |
| | | | | | | 74 |
| Call | Purchased | OTC | #11 | Sep-10 | (2,328) | 77 |
| Call | Purchased | OTC | #11 | Sep-10 | (2,460) | 77 |
| | | | | | | 154 |
| Call | Sold | NYBOT/OTC | #11 | Sep-10 | 4,283 | (627) |
| Call | Sold | NYBOT/OTC | #11 | Sep-10 | 3,734 | (440) |
| Call | Sold | NYBOT/OTC | #11 | Feb-11 | 3,022 | (732) |
| Call | Sold | NYBOT | #11 | Feb-11 | 451 | (138) |
| Call | Sold | NYBOT | #11 | Feb-11 | 160 | (49) |
| | | | | | | (1,985) |
| Put | Purchased | NYBOT/OTC | #11 | Sep-10 | 3,759 | 2,823 |
| Put | Purchased | NYBOT/OTC | #11 | Sep-10 | 1,312 | 1,055 |
| | | | | | | 3,878 |
| Put | Sold | NYBOT/OTC | #11 | Sep-10 | (819) | (2,823) |
| Put | Sold | NYBOT/OTC | #11 | Sep-10 | (82) | (1,055) |
| | | | | | | (3,878) |
| Total Commodities | | | | | | 24,666 |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
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(Unaudited)

13. Risk management and financial instruments (Continued)

c) Foreign exchange risk

This arises from the possibility of fluctuations in the exchange rates of the foreign currencies used by the Company for the export revenues of products, imports, debt cash flow and other assets and liabilities denominated in a foreign currency. The Company uses derivative transactions to manage the risks of cash flow coming from the export revenues denominated in U.S. dollars, net of other cash flows denominated in foreign currency. The table below demonstrates the consolidated positions open on June 30, 2010 of derivatives used to hedge exchange rates:

| Foreign exchange risk: Exchange rate derivatives outstanding on June 30, 2010 | | | | | | |
|--|--------------------|------------|--------------------------------|----------|----------|---------------|
| Derivative | Purchased/ sold | Market | Contract | Maturity | Notional | Fair value |
| <i>Derivative financial instruments designated in the cash flow hedge accounting</i> | | | | | | |
| Forward | Sold | OTC/Cetip | NDF | Jul-10 | 53,733 | 3,469 |
| Forward | Sold | OTC/Cetip | NDF | Aug-10 | 79,788 | 3,791 |
| Forward | Sold | OTC/Cetip | NDF | Sep-10 | 5,640 | 527 |
| Forward | Sold | OTC/Cetip | NDF | Sep-10 | 25,636 | 2,114 |
| Forward | Sold | OTC/Cetip | NDF | Oct-10 | 81,851 | 5,843 |
| Forward | Sold | OTC/Cetip | NDF | Dec-10 | 53,081 | 1,275 |
| Forward | Sold | OTC/Cetip | NDF | Jan-11 | 49,659 | 2,504 |
| Forward | Sold | OTC/Cetip | NDF | May-11 | 78,424 | 2,269 |
| Forward | Sold | OTC/Cetip | NDF | Jul-11 | 55,121 | 407 |
| Forward | Sold | OTC/Cetip | NDF | Aug-11 | 57,591 | 2,222 |
| Forward | Sold | OTC/Cetip | NDF | Oct-11 | 145,079 | 3,479 |
| | | | | | | 27,899 |
| <i>Derivative financial instruments not designated in the cash flow hedge accounting</i> | | | | | | |
| Future | Sold | BMFBovespa | Commercial U.S. dollar rate | Aug-10 | 152,879 | 573 |
| Future | Sold | BMFBovespa | Commercial U.S. dollar rate | Dec-10 | 71,708 | 441 |
| Future | Sold | BMFBovespa | Commercial U.S. dollar rate | Jul-11 | 189,260 | 1,177 |
| Future | Sold | BMFBovespa | Commercial U.S. dollar rate | Aug-11 | 43,586 | 270 |
| Future | Sold | BMFBovespa | Euro | Jul-10 | 8,445 | (4) |
| | | | | | | 2,457 |
| Future | Purchased | BMFBovespa | Commercial U.S. dollar rate | Dec-10 | (51,220) | (315) |
| Future | Purchased | BMFBovespa | Commercial U.S. dollar rate | Jul-11 | (97,334) | (605) |
| | | | | | | (921) |
| Put Onshore | Purchased | BMFBovespa | Commercial U.S. dollar rate | Oct-10 | 485,706 | 5,393 |
| Put Offshore | Purchased | OTC | Commercial U.S. dollar rate | Feb-11 | 23,748 | 424 |
| Put Offshore | Purchased | OTC | Commercial U.S. dollar rate | Feb-11 | 9,281 | 346 |
| | | | | | | 6,163 |
| Total Exchange rate derivative | | | | | | 35,598 |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
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(Unaudited)

13. Risk management and financial instruments (Continued)

On June 30, 2010 and March 31, 2010, the Company had the following net exposure to the variation of U.S. dollar assets and liabilities denominated in U.S. dollars:

| | <u>June 30, 2010</u> | <u>March 31, 2010</u> |
|--|--------------------------|---------------------------|
| Amounts pending foreign exchange closing | 24,906 | 71,732 |
| Overnight | 28,254 | 28,338 |
| Trade notes receivable - foreign | 70,702 | 83,467 |
| Senior Notes due in 2014 | (362,838) | (354,433) |
| Senior Notes due in 2017 | (411,589) | (404,589) |
| Perpetual bonds | (455,303) | (455,304) |
| Foreign currency-denominated loans | (203,316) | (269,066) |
| Export pre payments | (499,090) | (550,552) |
| Restricted cash | 28,462 | 25,251 |
| Exchange exposure | <u>(1,779,812)</u> | <u>(1,825,156)</u> |

d) hedge accounting effects

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

The Company records gains and losses deemed effective for purposes of hedge accounting to a specific account in shareholders' equity ("other comprehensive income"), until the object of coverage (hedged item) affects the profit and loss. When the hedged item affects the profit and loss, the gain or loss is recorded in the same line as the hedged item (in this case, sales revenue). On June 30, 2010, the impact recorded in equity and the periods in which they will affect the profit and loss are as follows:

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
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(Unaudited)

13. Risk management and financial instruments (Continued)

| Derivative | Market | Risk | Expected period to affect P&L | | |
|---------------------------|-------------|------|-------------------------------|--------------|---------------|
| | | | 2010/2011 | 2011/2012 | Total |
| Future | OTC / NYBOT | #11 | 3,695 | 3,302 | 6,997 |
| NDF | OTC/Cetip | USD | 3,246 | 6,613 | 9,859 |
| (-) Deferred income taxes | | | (2,360) | (3,371) | (5,731) |
| Total | | | <u>4,581</u> | <u>6,544</u> | <u>11,125</u> |

The detail of the movement of the cash flow hedge gain or loss in other comprehensive income is as follows:

Cash flow hedges

| | |
|--|----------------------|
| Balance at March 31, 2010 | - |
| Gain/(losses) of cash flow hedges for the period | |
| Commodities future and swap contracts | 6,448 |
| Currency forward contracts | 9,860 |
| Reclassification adjustments for losses included in the income statement (net sales) | 548 |
| Tax effect on gain/(losses) of cash flow hedges for the period – 34% | <u>(5,731)</u> |
| Balance at June 30, 2010 | <u><u>11,125</u></u> |

During the three-month period ended June 30, 2010, there was no effect on results for operations of hedged items that would no longer qualify to be designated to hedge accounting. Also, the Company recorded the amount of \$215 related to the gains and losses of the hedges' ineffectiveness during the three-month period ended June 30, 2010.

e) Interest rate risk

The Company monitors fluctuations of the interest rates related to certain loan contracts, mainly those with Libor interest rate risk, and in the event of increased volatility of such rates, it may engage in transactions with derivatives so as to minimize such risks. At June 30, 2010, the Company presented the following net balance sheet exposure related to interest rate risk:

| Interest rate risk: outstanding interest rate swap derivatives on June 30, 2010 | | | | | | | |
|---|--------------------|-----------|----------------------|------------------------|------------------------------|----------|---------------|
| Derivative | Purchased/ sold | Market | Contract | Number of contracts | Average price | Notional | Fair value |
| Swap | Purchased | OCT/Cetip | Fix/Libor 3 month | 1 | 1,199% / Libor 3 month | 300,000 | (830) |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
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13. Risk management and financial instruments (Continued)

f) Credit risk

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

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

The Company buys and sells commodity derivatives in futures and options markets on the New York Board of Trade (NYBOT) and the London International Financial Futures and Options Exchange (LIFFE), as well as in the over-the-counter (OTC) market with selected counterparties. The Company buys and sells foreign exchange derivatives on BM&FBovespa and OTC contracts registered with CETIP (OTC clearing house) with banks Goldman Sachs & Co, Banco Barclays S.A., BNP Paribas Commodity Futures Ltd, Newedge LLC, Macquarie Bank Ltd, ADM Investors Services International Limited (Hencorp), Prudential Bache Commodities LLC, Natixis Commodity Markets Ltd, Espirito Santo Investimento do Brasil S.A., Deutsche Bank S.A. – Banco Alemão, Banco Bradesco S.A., Banco JP Morgan S.A., Banco Standard de Investimentos S.A., Banco Morgan Stanley Witter S.A. e Banco BTG Pactual S.A

Guarantee margins – The Company's derivative operations on commodity exchanges (NYBOT, LIFFE and BM&FBovespa) require an initial guarantee margin. The brokers with which the Company operates on these commodity exchanges offer credit limits for these margins. As of June 30, 2010, the total credit limit used as initial margin was \$30,434 (\$38,543 as of March 31, 2010). As a requirement to trade in BM&FBovespa, the Company posted on June 30, 2010, the amount of \$53,313 (\$46,627 as of March 31, 2010) as guarantee in the form of a settlement bond issued by a first-class banking institution. Over-the-counter derivative transactions of the Company are exempt from margin guarantees.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
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13. Risk management and financial instruments (Continued)

g) Debt acceleration risk

As of June 30, 2010 and March 31, 2010, the Company was a party to loan and financing agreements with covenants generally applicable to these operations, including requirements related to cash generation, 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 as a going-concern.

14. Fair value measurements

Effective May 1, 2008, Cosan adopted ASC 820, Fair Value Measurements (SFAS 157), for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. ASC 820 establishes a new framework for measuring fair value and expands related disclosures. Broadly, the ASC 820 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. ASC 820 establishes market or observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

The following section describes the valuation methodologies Cosan uses to measure different financial instruments at fair value.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

14. Fair value measurements (Continued)

Derivatives

Cosan uses closing prices for derivatives included in Level 1, which are traded either on exchanges or liquid over-the-counter markets.

The remainder of the derivatives portfolio is valued using internal models, most of which are primarily based on market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities. Derivative assets and liabilities included in Level 2 primarily represent interest rate swaps, foreign currency swaps and commodity forward contracts.

The following table presents our assets and liabilities measured at fair value on a recurring basis as of June 30, 2010.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|--------------------|----------------|----------------|--------------|
| Assets | | | |
| Derivatives | 33,427 | 46,788 | 80,215 |
| Liabilities | | | |
| Derivatives | (4,643) | (16,138) | (20,781) |

15. Segment information

a. Segment information

The following information about segments is based upon information used by Cosan's senior management to assess the performance of operating segments and to decide on the allocation of resources. Cosan's operating and reportable segments are business units in Brazil that target different industry segments. Each reportable segment is managed separately because of the need to specifically address customer needs in these different industries. The operations of these segments are based solely in Brazil.

Following is a description of the operating segments of the business.

The Sugar and Ethanol ("S&E") segment produces and sells a broad variety of sugar and ethanol products.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

15. Segment information (Continued)

a. Segment information (continued)

The sugar products include raw (also known as very high polarization - VHP sugar), organic, crystal and refined sugars, which are sold to a wide range of customers in Brazil and abroad. Cosan exports the majority of the sugar produced through international commodity trading companies. Cosan's domestic customers include wholesale distributors, food manufacturers and retail supermarkets, through which it sells its "Da Barra" and "União" branded products. The ethanol products include fuel ethanol and industrial ethanol. Cosan's principal fuel ethanol products are hydrous and anhydrous. Hydrous ethanol is used as an automotive fuel and anhydrous (which has a lower water content than hydrous ethanol) is used as an additive in gasoline. The fuel ethanol products are mainly sold in the domestic market by fuel distribution companies. Consumption of hydrous ethanol in Brazil is increasing as a result of the introduction of flex fuel vehicles that can run on either gasoline or ethanol (or a combination of both). In addition, the S&E segment sells liquid and gel ethanol products used mainly in the production of paint, cosmetics and alcoholic beverages for industrial clients in various sectors. Also, the S&E segment includes the co-generation activities and most of the corporate activities.

The Fuel Distribution and Lubricants ("CCL") segment is engaged in the distribution in Brazil of fuel products, derived from petroleum or ethanol, and lubricants as well as the operation of convenience stores. The network to which the fuel distribution segment distributes such products is comprised of approximately 1,700 fuel stations.

The Sugar Logistics ("Rumo") segment provides logistics services for the transport, storage and port lifting of sugar for both the S&E segment and third parties.

The accounting policies underlying the financial information provided for the segments are based on Brazilian GAAP. We evaluate segment performance based on information generated from the statutory accounting records.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

15. Segment information (Continued)

a. Segment information (continued)

Segment profit and loss and selected balance sheet data under Brazilian GAAP is as follows:

| | June 30, 2010 | | | | |
|---|------------------|------------------|----------------|----------------------------|------------------|
| | S&E | CCL | RUMO | Adjustment/ elimination | Consolidated |
| | Brazilian GAAP | | | | US GAAP |
| Balance Sheet: | | | | | |
| Property, plant & equipment (PP&E) | 2,818,027 | 191,603 | 229,915 | 819,530 | 4,059,075 |
| Intangible assets | - | - | - | 580,590 | 580,590 |
| Loans, net of cash and cash equivalents | (2,540,785) | (223,618) | (82,155) | 43,933 | (2,802,625) |
| Others assets (liabilities) | 1,458,506 | 1,076,879 | 16,518 | (962,672) | 1,589,232 |
| Total net assets | <u>1,735,748</u> | <u>1,044,864</u> | <u>164,278</u> | <u>481,381</u> | <u>3,426,271</u> |
| Income statements (3 months) | | | | | |
| Net Sales | 701,798 | 1,495,664 | 33,671 | 2,707 | 2,233,840 |
| Gross profit | 149,381 | 114,830 | 18,368 | (41,901) | 240,678 |
| Selling general and administrative expenses | (108,162) | (74,463) | (4,482) | (3,508) | (190,616) |
| Operating income | 40,497 | 43,239 | 11,736 | (45,409) | 50,063 |
| Other income (expense) | (2,782) | (2,499) | 4,208 | 939 | (133) |
| Other selected data: | | | | | |
| Additions to PP&E (Capex) | 258,443 | 8,243 | 68,794 | - | 335,480 |
| Depreciation and amortization | 133,316 | 9,064 | 2,105 | - | 144,484 |
| March 31, 2010 | | | | | |
| | S&E | CCL | RUMO | Adjustment/ elimination | Consolidated |
| | Brazilian GAAP | | | | US GAAP |
| Balance Sheet: | | | | | |
| Property, plant & equipment (PP&E) | 1,330,266 | 128,712 | 29,414 | 613,395 | 2,101,787 |
| Intangible assets | 423,571 | 966 | - | (183,186) | 241,351 |
| Loans, net of cash equivalents | (1,122,560) | 39,663 | 4,811 | (488,458) | (1,566,544) |
| Others assets (liabilities) | 2,943,642 | (78,223) | (1,469) | (1,917,548) | 946,402 |
| Total net assets | <u>3,574,919</u> | <u>91,118</u> | <u>32,756</u> | <u>(1,975,797)</u> | <u>1,722,996</u> |
| June 30, 2009 | | | | | |
| | S&E | CCL | RUMO | Adjustment/ elimination | Consolidated |
| | Brazilian GAAP | | | | US GAAP |
| Income Statements (3 months) | | | | | |
| Net sales | 562,937 | 1,137,572 | 18,928 | 833 | 1,720,270 |
| Gross profit | 80,918 | 40,368 | 6,213 | (17,639) | 159,644 |
| Selling, general and administrative expenses (SG&A) | (89,065) | (53,371) | (1,660) | 34,364 | (109,732) |
| Operating income | (8,147) | 36,780 | 4,554 | 16,725 | 49,912 |
| Other income (expense) | 1,797 | 45,392 | (12,240) | (42,870) | (7,921) |
| Other selected data: | | | | | |
| Additions to PP&E (Capex) | 220,583 | 6,049 | 362 | - | 226,994 |
| Depreciation and amortization | 94,062 | 4,311 | 1,761 | - | 100,134 |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

15. Segment information (Continued)

b. Detailed net sales per segment

| | <u>June 30, 2010</u> | <u>June 30, 2009</u> |
|----------------------------|-------------------------|-------------------------|
| S&E (Brazilian GAAP) | | |
| Sugar | 462,631 | 314,145 |
| Ethanol | 188,786 | 220,461 |
| Cogeneration | 29,741 | 14,443 |
| Other | 20,640 | 14,088 |
| | <u>701,798</u> | <u>562,937</u> |
| CCL (Brazilian GAAP) | | |
| Fuels | 1,363,004 | 1,055,989 |
| Lubricants | 109,766 | 72,504 |
| Other | 22,894 | 9,079 |
| | <u>1,495,664</u> | <u>1,137,572</u> |
| Rumo (Brazilian GAAP) | | |
| Port lifting | 28,706 | 18,407 |
| Transports | 4,965 | 521 |
| | <u>33,671</u> | <u>18,928</u> |
| Adjustments / eliminations | 2,707 | 833 |
| Total (US GAAP) | <u><u>2,233,840</u></u> | <u><u>1,720,270</u></u> |

c. Net sales by region

The percentage of net sales by geographic area for the three-month period ended June 30, 2010 and 2009 are as follows:

| | <u>June 30, 2010</u> | <u>June 30, 2009</u> |
|---------------------------------|--------------------------|--------------------------|
| Sales by geographic area | | |
| Brazil | 69.27% | 54.35% |
| Europe | 26.82% | 35.34% |
| Middle east and Asia | 2.12% | 1.95% |
| North America | 0.37% | 6.17% |
| Latin American (Except Brazil) | 0.07% | 2.19% |
| Others | 1.35% | - |
| Total | <u><u>100.00%</u></u> | <u><u>100.00%</u></u> |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

15. Segment information (Continued)

d. Concentration of clients

S&E

There are several clients in this segment, one of which represents more than 10% of the segment net sales -- the SUCDEN Group (26.6% for the three-month period ended June 30, 2010 and 33% for the three-month period ended June 30, 2009).

CCL

In this segment there are no clients that represent more than 10% of the net sales for the three-month period ended June 30, 2010 and 2009.

Rumo

For the three-month period ended June 30, 2010 42,7% of the segment net sales were generated from sales to the S&E segment (34.9% for the three-month period ended June 30, 2009). There are two other customers which represented more than 10% of the net sales for three-month period ended June 30, 2010 and 2009 of this segment. SUCDEN Group accounted for 17% of segment sales for the three-month period ended June 30, 2010 (21% for the three-month period ended June 30, 2009) and the ED&F Man Group accounted for 22.6% of segment sales for the three-month period ended June 30, 2010 (no sales in the previous period).

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

16. Subsequent events

Subscription Agreement by Means of Capital Increase in Rumo Logística S.A. (“Rumo”)

On July 2, 2010, the indirect subsidiary Novo Rumo Logística S.A. (“Novo Rumo”), entered into a Subscription Agreement with investment vehicles administered by TPG Capital and Gávea Investimentos (“Investors”). The subscription will take place through capital increase in the amount of \$222,037, to be paid in equal portions by the Investors.

The aforementioned agreement is subject to certain preceding conditions, which shall have to materialize up to September 30, 2010. At the closing of the operation the Investors shall have to subscribe the shares and pay in the capital, as well as enter into a shareholders’ agreement. The Company holds, directly and indirectly, approximately 92.9% of Novo Rumo’s equity, which, in turn, holds 99.9% of Rumo’s equity. After the payment, Novo Rumo will hold 75.0% of Rumo’s equity and each of the Investors shall hold 12.5% of the equity.

Capital increase

In the meeting of the Board of Directors held on July 29, 2010, the shareholders unanimously approved a capital increase of \$1,525 through the issuance of 449,819 newly registered uncertificated common shares with no par value, in connection with the “Company’s Stock Option Plan” and with the exercise of such option by the eligible executives, at an issuance price of \$3.39 per share, set in the terms of the stock option plan. In connection with the issuance of the new shares, the Company’s capital comprised 407,010,196 registered uncertificated common shares with no par value.

Approval of additional dividends over the minimum statutory dividend

On July 30, 2010, additional dividends over the minimum statutory dividend of \$45,757, were approved in the extraordinary general shareholders’ meeting, totaling an amount of \$111,018 of dividends to be distributed on August 30, 2010.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the condensed consolidated financial statements (Continued)
(In thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

16. Subsequent events (Continued)

BNDES Finance

On August 4, 2010, the indirect subsidiary Rumo, through its subsidiary Cosan Operadora Portuária S.A. ("Portuária"), obtained the approval of BNDES for a credit line of \$430,827 to be invested by Portuária in railways and in a construction of a logistic terminal in the region of Itirapina, State of São Paulo. The aforementioned finance is subject to annual interest of 1.92% plus TJLP, with payment due in 12 years.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Cosan S.A. Indústria e Comércio

We have audited the accompanying consolidated balance sheets of Cosan S.A. Indústria e Comércio and subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for the year ended March 31, 2010, the eleven-month period ended March 31, 2009, and the year ended April 30, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cosan S.A. Indústria e Comércio and subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the year ended March 31, 2010, the eleven-month period ended March 31, 2009, and the year ended April 30, 2008, in conformity with U.S. generally accepted accounting principles.

São Paulo, June 10, 2010

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP015199/O-8

Luiz Carlos Nannini
Accountant CRC 1SP171638/O-7

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated balance sheets
 March 31, 2010 and 2009
 (In thousands of U.S. dollars, except share data)

| | March 31, 2010 | March 31, 2009 |
|---|---------------------------|---------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | 605,483 | 310,710 |
| Restricted cash | 25,251 | 5,078 |
| Derivative financial instruments | 129,456 | 7,352 |
| Trade accounts receivable, less allowances: 2010 – \$32,144; 2009 – \$21,241 | 430,328 | 258,863 |
| Inventories | 587,720 | 477,793 |
| Advances to suppliers | 132,258 | 88,991 |
| Recoverable taxes | 184,090 | 114,641 |
| Other current assets | 48,303 | 62,145 |
| | 2,142,889 | 1,325,573 |
| Property, plant, and equipment, net | 3,997,815 | 2,101,787 |
| Goodwill | 1,289,625 | 803,270 |
| Intangible assets, net | 600,573 | 241,351 |
| Accounts receivable from federal government | 187,385 | 139,700 |
| Judicial deposits | 94,083 | 73,975 |
| Other non-current assets | 423,447 | 277,028 |
| | 6,592,928 | 3,637,111 |
| Total assets | 8,735,817 | 4,962,684 |

| | March 31, 2010 | March 31, 2009 |
|--|---------------------------|---------------------------|
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Trade accounts payable | 319,707 | 197,009 |
| Taxes payable | 121,203 | 69,273 |
| Salaries payable | 79,497 | 40,237 |
| Current portion of long-term debt | 445,593 | 630,260 |
| Derivative financial instruments | 43,067 | 28,894 |
| Dividends payable | 65,451 | - |
| Other liabilities | 111,971 | 47,946 |
| | 1,186,489 | 1,013,619 |
| Long-term liabilities: | | |
| Long-term debt | 2,842,953 | 1,246,994 |
| Estimated liability for legal proceedings | 294,605 | 497,648 |
| Taxes payable | 381,805 | 149,621 |
| Due to Cosan Limited | - | 175,000 |
| Deferred income taxes | 408,832 | 40,377 |
| Other long-term liabilities | 154,728 | 116,429 |
| | 4,082,923 | 2,226,069 |
| Shareholders' equity: | | |
| Common stock, no par value. Authorized 406,560,317 shares; issued and outstanding 406,560,317 in 2010 and 328,284,884 shares in 2009 | 2,420,018 | 1,945,741 |
| Common stock warrants | - | 25,273 |
| Treasury stock | (1,979) | (1,979) |
| Additional paid-in capital | 390,600 | 167,610 |
| Accumulated other comprehensive income (accumulated loss) | 343,136 | (280,888) |
| Retained earnings (losses) | 281,238 | (146,099) |
| Equity attributable to shareholders of Cosan | 3,433,013 | 1,709,658 |
| Equity attributable to noncontrolling interests | 33,392 | 13,338 |
| Total shareholders' equity | 3,466,405 | 1,722,996 |
| Total liabilities and shareholders' equity | 8,735,817 | 4,962,684 |

See accompanying notes to consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated statements of operations
 Year ended March 31, 2010, eleven-month period ended
 March 31, 2009 and year ended April 30, 2008
 (In thousands of U.S. dollars, except share data)

| | March 31, 2010 | March 31, 2009 | April 30, 2008 |
|--|---------------------------|---------------------------|---------------------------|
| Net sales | 8,283,151 | 2,926,460 | 1,491,233 |
| Cost of goods sold | (7,219,027) | (2,617,877) | (1,344,844) |
| Gross profit | 1,064,124 | 308,583 | 146,389 |
| Selling expenses | (470,322) | (213,257) | (168,623) |
| General and administrative expenses | (268,312) | (136,272) | (113,431) |
| Operating income (loss) | 325,490 | (40,946) | (135,665) |
| Other income (expenses): | | | |
| Financial income (expenses), net | 180,242 | (374,711) | 79,284 |
| Gain on tax recovery program | 144,857 | - | - |
| Other | 34,341 | (2,289) | (3,670) |
| Income (loss) before income taxes and equity in income (loss) of affiliates | 684,930 | (417,946) | (60,051) |
| Income taxes benefit (expense) | (184,781) | 144,690 | 19,810 |
| Income (loss) before equity in income (loss) of affiliates | 500,149 | (273,256) | (40,241) |
| Equity in income (loss) of affiliates | (10,254) | 6,128 | (239) |
| Net income (loss) | 489,895 | (267,128) | (40,480) |
| Net (income) loss attributable to noncontrolling interests | 2,893 | (4) | 865 |
| Net income (loss) attributable to Cosan | 492,788 | (267,132) | (39,615) |
| Per-share amounts attributable to Cosan | | | |
| Net income (loss) | | | |
| Basic | 1.31 | (0.89) | (0.18) |
| Diluted | 1.31 | * | * |
| Weighted average number of shares outstanding | | | |
| Basic | 375,973,226 | 300,994,991 | 222,620,060 |
| Diluted | 377,142,643 | * | * |

* Antidilutive

See accompanying notes to consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated statements of shareholders' equity and comprehensive income (loss)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, except share data)

| | Common stock | | Treasury stock | | Common stock Warrants | | Additional paid-in capital | Retained Earnings (accumulated loss) |
|--|--------------|-----------|----------------|---------|-----------------------|----------|----------------------------|--------------------------------------|
| | shares | amount | shares | amount | number | Amount | | |
| Balances at April 30, 2007 | 188,886,360 | 535,105 | - | - | - | - | 160,944 | 160,648 |
| Issuance of common shares for cash | 82,700,000 | 967,198 | - | - | - | - | - | - |
| Exercise of stock options | 961,672 | 10,683 | - | - | - | - | (7,344) | - |
| Share based compensation | - | - | - | - | - | - | 8,153 | - |
| Net loss | - | - | - | - | - | - | - | (39,615) |
| Currency translation adjustment | - | - | - | - | - | - | - | - |
| Comprehensive income | - | - | - | - | - | - | - | - |
| Balances at April 30, 2008 | 272,548,032 | 1,512,986 | - | - | - | - | 161,753 | 121,033 |
| Issuance of common shares for cash | 55,000,000 | 430,810 | - | - | 55,000,000 | 25,273 | - | - |
| Exercise of stock options | 736,852 | 1,945 | - | - | - | - | - | - |
| Share based compensation | - | - | - | - | - | - | 5,857 | - |
| Treasury stock | - | - | 343,139 | (1,979) | - | - | - | - |
| Issuance of common shares of Novo Rumo to non-controlling interest | - | - | - | - | - | - | - | - |
| Net loss | - | - | - | - | - | - | - | (267,132) |
| Pension plan | - | - | - | - | - | - | - | - |
| Currency translation adjustment | - | - | - | - | - | - | - | - |
| Total comprehensive loss | - | - | - | - | - | - | - | - |
| Balances at March 31, 2009 | 328,284,884 | 1,945,741 | 343,139 | (1,979) | 55,000,000 | 25,273 | 167,610 | (146,099) |
| Acquisition of Teaçú | - | - | - | - | - | - | 76,427 | - |
| Issuance of common shares in business combination | 44,300,389 | 169,552 | - | - | - | - | 117,931 | - |
| Exercise of stock options | 982,513 | 14,032 | - | - | - | - | (10,693) | - |
| Exercise of common stock warrants | 32,992,531 | 290,693 | - | - | (55,000,000) | (25,273) | 35,725 | - |
| Acquisition of TEAS | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | - | (65,451) |
| Share based compensation | - | - | - | - | - | - | 3,600 | - |
| Net income | - | - | - | - | - | - | - | 492,788 |
| Pension Plan | - | - | - | - | - | - | - | - |
| Currency translation adjustment | - | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | - | - | - | - |
| Balances at March 31, 2010 | 406,560,317 | 2,420,018 | 343,139 | (1,979) | - | - | 390,600 | 281,238 |

See accompanying notes to consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated statements of cash flows

Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008

(In thousands of U.S. dollars)

| | March 31, 2010 | March 31, 2009 | April 30, 2008 |
|---|---------------------------|---------------------------|---------------------------|
| Cash flow from operating activities | | | |
| Net (loss) income for the period attributable to Cosan | 492,788 | (267,132) | (39,615) |
| Adjustments to reconcile net income to cash provided by operating activities: | | | |
| Depreciation and amortization | 485,898 | 288,660 | 236,065 |
| Deferred income taxes | 143,322 | (145,328) | (52,438) |
| Interest, monetary and exchange variation | (134,025) | 497,399 | (43,684) |
| Net loss (income) attributable to noncontrolling interests | 2,893 | - | (865) |
| Gain on tax recovery program | (144,857) | - | - |
| Others | (1,419) | 3,340 | 13,981 |
| Decrease/increase in operating assets and liabilities | | | |
| Trade accounts receivable, net | 1,356 | (23,694) | (57,107) |
| Inventories | 126,164 | (85,891) | (31,739) |
| Advances to suppliers | 37,362 | 21,091 | (8,363) |
| Recoverable taxes | (20,535) | (32,858) | (44,543) |
| Trade accounts payable | (26,117) | 33,426 | 33,702 |
| Derivative financial instruments | (111,077) | 4,365 | 90,383 |
| Taxes payable | 192,482 | (17,072) | (19,588) |
| Other assets and liabilities, net | (261,717) | (29,566) | (54,901) |
| Net cash provided by operating activities | 782,518 | 246,740 | 21,288 |
| Cash flows from investing activities: | | | |
| Restricted cash | (18,650) | 29,312 | (25,886) |
| Marketable securities | - | 558,761 | (215,226) |
| Proceeds from sales of property, plant and equipment | 5,959 | 160,703 | - |
| Proceeds from sale of aviation business | 58,431 | - | - |
| Additions of property, plant and equipment | (1,081,484) | (606,155) | (642,886) |
| Acquisitions, net of cash acquired and other investments | (9,007) | (777,713) | (101,961) |
| Net cash used in investing activities | (1,044,751) | (635,092) | (985,959) |
| Cash flows from financing activities: | | | |
| Related parties | (279,640) | (15,823) | - |
| Proceeds from issuance of common stock | - | 456,083 | 1,032,821 |
| Payments of dividends | - | - | (44,935) |
| Treasury stock | - | (1,979) | - |
| Additions of long-term debt | 1,996,229 | 638,390 | 117,533 |
| Increase of capital in subsidiary by minorities | 304,427 | 6,641 | - |
| Payments of long-term debt | (1,669,851) | (111,079) | (492,052) |
| Net cash provided by financing activities | 351,165 | 972,233 | 613,367 |
| Effect of exchange rate changes on cash and cash equivalents | 205,841 | (312,003) | 73,594 |
| Net increase (decrease) in cash and cash equivalents | 294,773 | 271,878 | (277,710) |
| Cash and cash equivalents at beginning of period | 310,710 | 38,832 | 316,542 |
| Cash and cash equivalents at end of period | 605,483 | 310,710 | 38,832 |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated statements of cash flows (Continued)

Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008

(In thousands of U.S. dollars)

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|----------------|-------------|-------------|
| Supplemental cash flow information | | | |
| Cash paid during the period for: | | | |
| Interest | 208,367 | 74,049 | 124,502 |
| Income taxes | 33,403 | 3,855 | 18,787 |
| Non cash transaction | | | |
| Acquisition paid with equity | 435,405 | - | 250,774 |

See accompanying notes to consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)

Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008

(In thousands of U.S. dollars, unless otherwise stated)

1. Operations

Cosan S.A. Indústria e Comércio and subsidiaries (“Cosan” or “the Company”) is incorporated under the laws of the Federative Republic of Brazil. Cosan shares are traded on the São Paulo Stock Exchange (Bovespa).

Cosan Limited, a company incorporated in Bermuda, is the controlling shareholder of Cosan, holding a 62.27% interest therein as of March 31, 2010 (68.89% as of March 31, 2009). The change in interest was principally related to the issuance of shares for the acquisition of Curupay S.A. Participações (Note 8) and exercise of common stock warrants (Note 17). The class “A” common shares of Cosan Limited are traded on the New York Stock Exchange (NYSE) and Bovespa.

The companies included in the consolidated financial statements have as their primary activity the production of ethanol and sugar, the marketing and distribution of fuel and lubricants in Brazil, and logistics services in the state of São Paulo, Brazil.

On April 23, 2008, the Company entered into an agreement with ExxonMobil International Holding B.V., or “Exxon”, for the acquisition of 100% of the outstanding shares of Esso Brasileira de Petróleo Ltda. and its subsidiaries (“Essobrás”), a distributor and seller of fuels and producer and seller of lubricants and specialty petroleum products of ExxonMobil in Brazil. On December 1, 2008 the Company completed the acquisition (see further discussion regarding this acquisition at Note 8). On January 16, 2009 the Company changed the corporate name of Essobrás to Cosan Combustíveis e Lubrificantes S.A. (“Cosan CL”).

On August 29, 2008 the Company held an Annual and Special General Shareholders Meeting and unanimously approved the modification of the end of its fiscal year from April 30 to March 31 of each year. Therefore the consolidated statements of operations and cash flows presented in these financial statements lack comparison to the eleven month period ended March 31, 2009.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)

Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008

(In thousands of U.S. dollars, unless otherwise stated)

1. Operations (Continued)

On August 28, 2008, the Company announced the incorporation of a new affiliate named Radar Propriedades Agrícolas S.A. (“Radar”), which engages in farm real estate investments in Brazil. The initial capital contribution was US\$185,000, of which US\$35,000 was invested by Cosan (18.92%) and US\$150,000 by another shareholder (81.08%). On August 25, 2009, an additional capital contribution of US\$33,262 was approved, of which US\$6,293 (18.92%) was invested by Cosan and the remainder by the other shareholder. On December 15, 2009, an additional capital contribution of US\$8,944, was approved, of which US\$1,692 (18.92%) was invested by Cosan and the remainder by the other shareholder.

On April 9, 2009, the Company entered into an agreement with Rezende Barbosa S.A. Administração e Participações (“Rezende Barbosa”) to acquire 100% of the outstanding shares of Teaçú Armazéns Gerais S.A. (“Teaçú”). Teaçú operates a port terminal concession in the city of Santos. In connection with this acquisition the Company concentrated its port concessions in the subsidiary Rumo Logística S.A. See further discussion regarding this acquisition at Note 8.

On June 17, 2009, Cosanpar Participações S.A. (“Cosanpar”), a wholly-owned subsidiary of Cosan sold its aviation fuel business that was acquired in the Essobrás acquisition, to Shell Brasil Ltda. for US\$58,431 cash. The results of operations of this business were recorded in the fuel distribution and lubricants segment. The carrying value of the net assets sold was US\$40,084, which resulted in a gain of US\$19,150.

On June 18, 2009, the Company entered into an agreement with Rezende Barbosa to acquire 100% of the outstanding shares of Curupay S.A. Participações (“Curupay”). The principal investment of Curupay was 100% of the outstanding shares of Cosan Alimentos S.A. (former Nova América S.A. Agroenergia). Cosan Alimentos S.A. (“Cosan Alimentos”) is a producer of sugar, ethanol and energy co-generation which also operates in trading and logistics. See further discussion regarding this acquisition at Note 8.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)

Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008

(In thousands of U.S. dollars, unless otherwise stated)

1. Operations (Continued)

On November 24, 2009, the Company entered into an agreement with Crystalsev Comércio e Representação Ltda and Plínio Nastari Consultoria e Participações Ltda to acquire 26,7% of the outstanding shares of TEAS Terminal Exportador de Alcool de Santos S.A. ("TEAS"). As a result, this increased its ownership percentage from 40.0% to 66.7% of the TEAS's capital. TEAS operates a port terminal concession in the city of Santos. See further discussion regarding this acquisition at Note 8.

On November 12, 2009, the Company, through its subsidiary Rumo Logística S.A., acquired a 14.28% interest in Logisport, represented by 166,590 common shares, for \$11,606 cash. Logisport is a logistics hub and warehouse based in the city of Sumaré.

On February 1, 2010, the Company announced that it, along with Royal Dutch Shell, had reached a non-binding memorandum of understanding, to expire in 180 days, to form a joint venture for a combined 50/50 investment. Cosan will contribute its sugar and ethanol and its distribution assets to the joint venture while Shell will contribute its distribution assets in Brazil. Shell will also make a fixed cash contribution in the amount of US\$1,625 billion over a 2 year period. The closing of this transaction is dependent upon the conclusion of the negotiations.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)

Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008

(In thousands of U.S. dollars, unless otherwise stated)

2. Presentation of the consolidated financial statements

Basis of presentation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”), which differs in certain respects from accounting principles generally accepted in Brazil (“Brazilian GAAP”), which Cosan uses to prepare its statutory consolidated financial statements as filed with the Brazilian Securities Commission - CVM (“Comissão de Valores Mobiliários”).

The Brazilian real is the currency of the primary economic environment in which Cosan and its subsidiaries located in Brazil operate, generate and expend cash and is the functional currency, except for the foreign subsidiaries in which U.S. dollar is their functional currency. Cosan utilizes the U.S. dollar as its reporting currency. The accounts of Cosan are maintained in Brazilian reais, which have been translated into U.S. dollars in accordance with Accounting Standards Codification (“ASC”) 830, “*Foreign Currency Matters*”. The assets and liabilities are translated from reais to U.S. dollars using the official exchange rates reported by the Brazilian Central Bank at the balance sheet date and revenues, expenses, gains and losses are translated using the average exchange rates for the period. The translation gain or loss is included in the accumulated other comprehensive income (loss) component of shareholders’ equity, and in the statement of comprehensive income (loss) for the period in accordance with the criteria established in ASC 220, “*Comprehensive Income*”.

The exchange rate of the Brazilian real (R\$) to the US\$ was R\$1.7810=US\$1.00 at March 31, 2010, R\$2.3152=US\$1.00 at March 31, 2009 and R\$1.6872=US\$1.00 at April 30, 2008.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
 Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year
 ended April 30, 2008
 (In thousands of U.S. dollars, unless otherwise stated)

3. Significant accounting policies

a. Principles of consolidation

The consolidated financial statements include the accounts and operations of Cosan and its subsidiaries. All significant intercompany accounts and transactions are eliminated upon consolidation.

The following subsidiaries were included in the consolidated financial statements for the year ended March 31, 2010, eleven-month period ended March 31, 2009 and the year ended April 30, 2008.

| | Ownership % direct and indirect | | |
|--|---------------------------------|--------|--------|
| | 2010 | 2009 | 2008 |
| Administração de Participações Aguassanta Ltda. | 91.5% | 91.5% | 91.5% |
| Cosan S.A. Açúcar e Alcool (1) | 99.6% | 99.6% | 89.9% |
| Águas da Ponta Alta S.A. | 99.6% | 99.6% | - |
| Vale da Ponte Alta S.A. | 99.6% | 99.6% | - |
| Agrícola Ponte Alta S.A. | 99.6% | 99.6% | 99.1% |
| Cosan Centroeste S.A. Açúcar e Alcool | 99.6% | 99.6% | 99.1% |
| Barra S.A. Bioenergia | 99.6% | 99.6% | 99.1% |
| DaBarra Alimentos Ltda. | 99.6% | 99.6% | 99.1% |
| Bonfim Nova Tamoió – BNT Agrícola Ltda. | 99.6% | 99.6% | 99.1% |
| Benálcool S.A. Açúcar e Alcool | 99.6% | 99.6% | 99.1% |
| Barrapar Participações S.A. | 99.6% | 99.6% | - |
| Aliança Indústria e Comércio de Açúcar e Alcool S.A. | 99.6% | 99.6% | - |
| Cosan Distribuidora de Combustíveis Ltda. | 99.9% | 100.0% | 99.9% |
| Cosan S.A. Bioenergia | 100.0% | 100.0% | 100.0% |
| Cosan International Universal Corporation | 100.0% | 100.0% | 100.0% |
| Cosan Finance Limited | 100.0% | 100.0% | 100.0% |
| Grançucar S.A. Refinadora de Açúcar | 100.0% | 100.0% | 100.0% |
| Cosanpar Participações S.A. (2) | - | 100.0% | - |
| Cosan Combustíveis e Lubrificantes S.A. | 100.0% | - | - |
| Copsapar Participações S.A. | 90.0% | 90.0% | - |
| Novo Rumo Logística S.A. | 92.9% | - | - |
| Rumo Logística S.A. | 92.9% | - | - |
| Cosan Operadora Portuária S.A. | 92.9% | 92.9% | - |
| Teaçú Armazéns Gerais S.A. | 92.9% | - | - |
| Teas Terminal Exportador de Alcool de Santos S.A. (3) | 66.7% | 32.0% | - |
| Cosan Alimentos S.A. (formerly known as Nova América S.A. – Agroenergia) | 100.0% | - | - |
| Pasadena Empreendimentos e Participações S.A. (4) | - | - | - |

- (1) Usina da Barra S/A Açúcar e Alcool was renamed as Cosan S/A Açúcar e Alcool;
 (2) In June 23, 2009, Cosan CL incorporated the Cosanpar Participações S.A.;
 (3) Increase of stockholding with acquisition of control (see Note 8); and
 (4) Immaterial special purpose entity controlled by the Company.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, unless otherwise stated)

3. Significant accounting policies (Continued)

b. Revenue recognition

Cosan recognizes revenue when title passes to the customer. This is date of shipment when shipped FOB shipping point and date of receipt by customer for certain export sales, which are shipped FOB destination. Selling prices are fixed based on purchase orders or contractual arrangements. Revenue for fuel distribution is recognized when products are delivered to the service station or customer. Provision is made for estimated returns.

Shipping and handling costs are classified as selling expenses in the consolidated statement of operations. The shipping and handling costs as of March 31, 2010 amounted to US\$179,956 (US\$162,927 as of March 31, 2009 and US\$165,016 as of April 30, 2008).

Sales incentives on fuel distribution are volume-based incentives and are recognized as a reduction of revenue.

Sales revenue includes taxes collected from customers in the amount of US\$420,780 as of March 31, 2010 (US\$219,933 as of March 31, 2009 and US\$125,848 as of April 30, 2008).

c. Advertising and sales promotion costs

Advertising and sales promotion costs: are recognized when incurred and amounted to US\$25,027 as of March 31, 2010 (US\$4,079 as of March 31, 2009 and US\$1,284 as of April 30, 2008).

d. Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates. These estimates and assumptions are reviewed and updated regularly to reflect recent experience.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, unless otherwise stated)

3. Significant accounting policies (Continued)

e. Cash and cash equivalents

Cosan considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Excess cash and cash equivalents are invested in short-term, highly liquid money market funds.

f. Restricted cash

The restricted cash amounts are related to deposits of margin requirements with commodities brokers that trade Cosan's derivative instruments.

g. Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are recorded at estimated net realizable value and do not bear interest. The allowance for doubtful accounts is recorded at an amount considered sufficient to cover estimated losses arising on collection of accounts receivable.

h. Inventories

Inventories are valued at the lower of cost or market through average cost of production or acquisition. Cost for finished goods and work-in-progress includes purchased raw materials, labor, maintenance costs of growing crops, depreciation of major maintenance costs and manufacturing and production overhead, which are related to the purchase and production of inventories.

During the development period of growing crops, costs are recorded in property, plant and equipment. After the development period, annual maintenance costs of growing crops become a portion of the cost of the current-year crop, along with harvesting costs, depreciation of the plants, and allocated overhead costs. Annual maintenance costs include cultivation, spraying, pruning, and fertilizing. The annual maintenance costs are allocated to cost of production based on the amount of sugarcane milled during the harvest period.

Cosan's harvest period begins between the months of March and April each year and ceases normally in the months of November and December. From January to April Cosan performs its major maintenance activities, as described at item j below.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, unless otherwise stated)

3. Significant accounting polices (Continued)

i. Investment in affiliated companies

Investments in affiliates in which Cosan exercises significant influence over the operating and financial policies are accounted for using the equity method.

j. Property, plant and equipment

Property, plant and equipment are recorded at cost of acquisition, formation or construction, including interest incurred on financing. During the period of construction, costs include land preparation, plants, preparation of planting beds, stakes and wires, cultural care during the development period, and overhead. Amortization of sugarcane plants is calculated using the straight-line method at a rate of 20% per annum as Cosan harvests these plants during a five-year average period.

Depreciation is calculated using the straight-line method at rates that take into account the estimated useful life of the assets: 25 years for buildings; 10 years for machinery and equipment; 7 years for furniture, fixtures and computer equipment; 5 years for vehicles; 25 years for leasehold improvements; and 5 years for sugarcane plant development costs.

Cosan performs planned major maintenance activities in its industrial facilities on an annual basis. This generally occurs during the months from January to March, with the purpose to inspect and replace components. The annual major maintenance costs include labor, material, outside services, and general or overhead expense allocations during the inter-harvest period. Cosan utilizes the built-in overhaul method to account for the annual costs of major maintenance activities. Thus the estimated cost of the portion of the total cost of a fixed asset which must be replaced on an annual basis is recorded as a separate component of the cost of fixed assets and depreciated over its separate estimated useful life. It is then replaced in connection with the annual major maintenance activities. Costs of normal periodic maintenance are charged to expense as incurred since the parts replaced do not enhance or maintain the crushing capacity or provide betterments to the fixed assets.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, unless otherwise stated)

3. Significant accounting polices (Continued)

j. Property, plant and equipment (Continued)

Impairment of long-lived assets is recognized when events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. If the expected future undiscounted cash flows are less than the carrying amount of the asset, an impairment loss is recognized at that time to reduce the asset to the lower of its fair value or its net book value.

k. Asset retirement obligations

Retirement of long-lived assets is accounted for in accordance with ASC 410, "Accounting for Asset Retirement Obligations". The retirement obligations of the subsidiary Cosan CL relate to the legally required obligation to remove underground fuel tanks upon retirement, the initial measurement of which is recognized as a liability discounted to present values and subsequently accreted through earnings. An asset retirement cost equal to the initial estimated liability is capitalized as part of the related asset's carrying value and depreciated over the asset's useful life.

l. Goodwill and other intangible assets

Cosan tests goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter after the annual forecasting process is completed. Furthermore, goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

m. Environmental matters

Cosan's production facilities and its plantation activities are both subject to environmental regulations. Cosan diminishes the risks associated with environmental matters, through operating procedures and controls and investments in pollution control equipment and systems. Cosan believes that no provision for losses related to environmental matters is currently required, based on existing Brazilian laws and regulations.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, unless otherwise stated)

3. Significant accounting polices (Continued)

n. Estimated liability for legal proceedings and labor claims

Determination of the estimated liability for legal proceedings and labor claims involves considerable judgment on the part of management. In accordance with ASC 450, "Accounting for Contingencies", a contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur. Cosan is subject to various claims, legal, civil and labor proceedings covering a wide range of matters that arise in the ordinary course of business activities. Cosan accrues such liabilities when it determines that losses are probable and can be reasonably estimated. The balances are adjusted to account for changes in circumstances in ongoing issues and the establishment of additional reserves for emerging issues. Actual results could differ from estimates.

o. Income taxes

Deferred income taxes are recognized for the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards.

In accordance with ASC 740, "Accounting for Uncertainty in Income Taxes", the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than a 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in estimate occurs.

The Company records interest related to unrecognized tax benefits in interest expense and penalties in financial expenses.

Valuation allowances are established when management determines that it is more likely than not that the deferred tax assets will not be realized.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, unless otherwise stated)

3. Significant accounting policies (Continued)

p. Earnings (losses) per share

Earnings (losses) per share are computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated by adjusting average outstanding shares for the impact of conversion of all potentially dilutive options.

q. Share-based compensation

Cosan's share based compensation plan, which was adopted on August 30, 2005, is accounted for in accordance with ASC 718, "*Share-Based Payments*", which requires it to recognize expense related to the fair value of its share-based compensation awards. Compensation expense for all share-based compensation awards granted was based on the grant-date fair value estimated in accordance with the provisions of ASC 718 and the expense has been recognized for share based awards on a straight-line basis over the requisite service period of the award. For purpose of estimating the fair value of options on their date of grant, Cosan uses a binomial model.

r. Derivative financial instruments

Cosan accounts for derivative financial instruments utilizing ASC 815, "*Accounting for Derivative Instruments and Hedging Activities*", as amended. As part of Cosan's risk management program, it uses a variety of financial instruments, including commodity futures contracts, forward currency agreements, interest rate and foreign exchange swap contracts and option contracts. Cosan recognizes all derivative instruments as non-hedge transactions. The derivative instruments are measured at fair value and the gains or losses resulting from the changes in fair value of the instruments are recorded in financial income or financial expense.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, unless otherwise stated)

3. Significant accounting policies (Continued)

s. Fair Value Measurements

On May 1, 2008, Cosan adopted the provisions of ASC 820, “*Fair Value Measurements and Disclosures*”, for fair value measurements of financial assets and financial liabilities and for fair value measurements of non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

t. Recently adopted accounting standards

FASB Accounting Standards Codification

In September 2009, the Accounting Standards Codification (“ASC”) became the source of authoritative U.S. GAAP recognized by the Financial Accounting Standards Board (“FASB”) for nongovernmental entities, except for certain FASB Statements not yet incorporated into ASC. Rules and interpretive releases of the SEC under federal securities laws are also sources of authoritative U.S. GAAP for registrants. The authoritative guidance mentioned in these financial statements includes the applicable ASC reference.

Subsequent Events

The Company adopted ASC 855, “*Subsequent Events*”, which established general accounting standards and disclosure for subsequent events, during the year ended March 31, 2010.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, unless otherwise stated)

3. Significant accounting policies (Continued)

Noncontrolling Interests

Effective April 1, 2009, the Company adopted new accounting guidance ASC 810, “*Consolidation*”, which changed the accounting for and the reporting of an entity’s minority ownership. Such minority ownership, previously referred to as minority interest, is now referred to as noncontrolling interests. The adoption of this guidance resulted in the reclassification of amounts previously attributable to minority interest and classified in the mezzanine outside of shareholders’ equity, to a separate component of shareholders’ equity titled “Noncontrolling Interests” in the consolidated balance sheets and statement of changes in shareholders’ equity and comprehensive income (loss).

Additionally, net income and comprehensive income attributable to noncontrolling interests are shown separately from consolidated net income and comprehensive income in the consolidated statements of operations and statements of changes in shareholders’ equity and comprehensive income (loss). Prior period financial statements have been reclassified to conform to the current year presentation as required by ASC 810.

u. New Accounting Pronouncements

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*, which will require companies to make new disclosures about recurring or nonrecurring fair value measurements including significant transfers into and out of Level 1 and Level 2 fair value hierarchies and information on purchases, sales, issuance and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. The ASU is effective prospectively for financial statements issued for fiscal years and interim periods beginning after December 15, 2009. The new disclosures about purchases, sales, issuance and settlements on a gross basis in the reconciliation of Level 3 fair value measurements is effective for interim and annual reporting periods beginning after December 15, 2010. The Company expects that the adoption of ASU 2010-06 will not have a material impact on its consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, unless otherwise stated)

3. Significant accounting policies (Continued)

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, *Amendments to Financial Accounting Standards Board Interpretation No. 46(R)*, included in ASC Subtopic 810-10, *Consolidations — Overall*. This guidance is intended to improve financial reporting by enterprises involved with variable interest entities by requiring ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and addresses concerns regarding the timely and usefulness of information about an enterprise's involvement in a variable interest entity. This guidance is effective for interim and annual reporting periods beginning after November 15, 2009, with early application prohibited. The Company does not believe the adoption will have a material impact on its consolidated financial statements.

4. Cash and cash equivalents

| | <u>2010</u> | <u>2009</u> |
|---------------------------|----------------|----------------|
| <u>Local currency</u> | | |
| Cash and bank accounts | 41,321 | 61,268 |
| Highly liquid investments | 492,430 | 228,291 |
| <u>Foreign currency</u> | | |
| Bank accounts | 71,732 | 21,151 |
| | <u>605,483</u> | <u>310,710</u> |

5. Derivative financial instruments

Cosan uses derivative financial instruments to manage its exposure related to sugar price variations in the international market, interest rate and exchange rate variation. The instruments are commodity futures contracts, forward currency agreements, interest rate and foreign exchange swap contracts, and option contracts. Cosan recognizes all derivatives on the balance sheet at fair value through profit or loss.

Cosan does not have any derivatives that are designated as hedging instruments as of March 31, 2010.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
 Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
 (In thousands of U.S. dollars, unless otherwise stated)

5. Derivative financial instruments (Continued)

The following table summarizes the notional value of derivative financial instruments as well as the related amounts recorded in balance sheet accounts:

| | Balance sheet location Derivative Financial Instruments | Notional amounts | | Carrying value asset (liability) | |
|---|---|------------------|----------------|----------------------------------|-----------------|
| | | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 |
| Commodities derivatives | | | | | |
| Future contracts: | | | | | |
| Purchase commitments - sugar | Current assets (liabilities) | 102,725 | 61 | (19,128) | (4) |
| Sell commitments | Current assets | 558,385 | 182,943 | 82,229 | 4,163 |
| Swap agreements | Current assets | 56,594 | - | 607 | - |
| Options: | | | | | |
| Purchased | Current assets | 145,517 | - | 12,777 | - |
| Written | Current assets (liabilities) | 457,841 | 64,366 | (19,362) | (2,906) |
| Foreign exchange and interest rate derivatives | | | | | |
| Forward contracts: | | | | | |
| Sale commitments | Current assets (liabilities) | 573,250 | 184,653 | 4,490 | (23,035) |
| Purchase commitments | Current assets (liabilities) | 571,500 | - | (4,226) | - |
| Swap agreements: | | | | | |
| Senior notes | Current (liabilities) | - | 246,501 | - | (2,949) |
| Interest Libor | Current assets (liabilities) | 300,000 | - | (351) | - |
| Future contracts | | | | | |
| Sale commitments | Current assets | 487,800 | 372,230 | 20,527 | 3,189 |
| Options | | | | | |
| Purchased | Current assets | 372,568 | - | 8,826 | - |
| Total assets | | | | 129,456 | 7,352 |
| Total liabilities | | | | (43,067) | (28,894) |

6. Inventories

| | 2010 | 2009 |
|--|----------------|----------------|
| Finished goods: | | |
| Sugar | 52,561 | 47,195 |
| Ethanol | 31,573 | 86,809 |
| Lubricants and Fuel (Gasoline, Diesel and Ethanol) | 149,613 | 120,108 |
| | <u>233,747</u> | <u>254,112</u> |
| Annual maintenance cost of growing crops | 243,709 | 167,576 |
| Others | 110,264 | 56,104 |
| | <u>587,720</u> | <u>477,792</u> |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, unless otherwise stated)

7. Property, plant and equipment, net

| | <u>2010</u> | <u>2009</u> |
|--|--------------------|--------------------|
| Land and rural properties | 427,454 | 321,902 |
| Machinery, equipment and installations | 2,683,191 | 1,217,512 |
| Vehicles | 168,875 | 123,867 |
| Furniture, fixtures and computer equipment | 71,254 | 44,600 |
| Buildings | 569,255 | 218,866 |
| Construction in progress | 811,395 | 395,200 |
| Sugarcane plant development costs | 807,757 | 655,306 |
| Leasehold improvements and others | 264,693 | 153,432 |
| | <u>5,803,874</u> | <u>3,122,429</u> |
| Accumulated depreciation and amortization | <u>(1,806,059)</u> | <u>(1,028,898)</u> |
| Total | <u>3,997,815</u> | <u>2,101,787</u> |

8. Acquisitions

a. Teaçú Armazéns Gerais S.A.

On April 9, 2009, Cosan S.A. Indústria e Comércio, through its 90% owned subsidiary, Copsapar Participações S.A., which owns 100% of Novo Rumo Logística S.A. ("Novo Rumo"), acquired 100% of the outstanding shares of Teaçú Armazéns Gerais S.A. ("Teaçú") from Rezende Barbosa S.A. Administração e Participações ("Rezende Barbosa") for \$52,985 cash and issuance of 90,736,131 shares of Novo Rumo, equivalent to 28.82% of its share capital. Teaçú holds a port concession in the city of Santos and operates a terminal dedicated to exporting sugar and other agricultural products. This acquisition combines the Santos port operations previously held separately by Cosan S.A. and Teaçú.

As a result of this transaction, Cosan S.A. reduced its indirect share ownership in Novo Rumo to 64.06%.

The acquisition-date fair value of the consideration transferred totaled \$167,303 which consisted of the following:

| | |
|---------------------------------|----------------|
| Cash | 52,985 |
| Common stock at fair value | 114,318 |
| Total consideration transferred | <u>167,303</u> |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year
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8. Acquisitions (Continued)

a. Teaçú Armazéns Gerais S.A. (Continued)

In the absence of a quoted market price, the fair value of common stock included in the consideration transferred was calculated using an income approach using the present value of estimated future net cash flows.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The Company has finalized the allocation of the consideration transferred as of March 31, 2010.

| Description | |
|--|----------------|
| Property, plant and equipment | 44,417 |
| Intangible assets | 138,424 |
| Inventories | 1,209 |
| Other assets | 26,566 |
| Long-term debt including current installments | (18,933) |
| Trade accounts payable | (485) |
| Estimated liability for legal proceedings and labor claims | (3,289) |
| Deferred income taxes | (45,523) |
| Other liabilities | (3,117) |
| Net assets acquired | <u>139,269</u> |
| Consideration transferred, net of cash acquired | <u>167,008</u> |
| Goodwill | <u>27,739</u> |

The goodwill of \$27,739 arising from the acquisition, which will be substantially deductible for tax purposes and consists largely of the synergies and economies of scale expected from combining the port operations of Cosan S.A. and Teaçú. The goodwill was assigned to the Sugar Logistics operating segment.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
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8. Acquisitions (Continued)

a. Teaçú Armazéns Gerais S.A. (Continued)

The purchase price to acquire Teaçú was allocated based on the fair value of the assets acquired and liabilities assumed. The Company obtained an independent valuation of its property, plant and equipment, intangible assets, long-term debt, and internally determined the fair value of its other assets and liabilities. The initial purchase price allocation has been adjusted primarily as a result of refinements in the Company's assumptions relating to property, plant and equipment, intangible assets and other assets and liabilities. These adjustments have resulted in a change in the determination of the amounts of deferred taxes upon the completion of the valuation. As a result of these changes, goodwill, as previously disclosed, has been changed as follows:

| | |
|---|---------------|
| Provisional goodwill | 102,052 |
| Intangible assets – port concession granted by the government | (138,424) |
| Adjustments of fair value of PP&E | (4,193) |
| Adjustments of fair value of other assets and liabilities | 4,051 |
| Deferred income tax | 47,467 |
| Change in consideration transferred of common stock at fair value | 16,786 |
| Goodwill | <u>27,739</u> |

b. Curupay S.A. Participações

On June 18, 2009, Cosan S.A. acquired 100% of the outstanding shares of Curupay S.A. Participações from Rezende Barbosa, through the issuance of 44,300,389 common shares valued at \$7.25 per share (fair value at the acquisition date) and a total consideration transferred of US\$321,087. The assets acquired include the non-controlling interest in Novo Rumo representing 28.82% of its outstanding shares which were issued in the Teaçú acquisition, and 100% of the outstanding shares of two operating companies, Nova América S.A. Trading and Cosan Alimentos (collectively referred to as “Nova América”). Nova América is a producer of sugar, ethanol and energy co-generation and also operates in trading and logistics.

With the acquisition of the noncontrolling interest of Novo Rumo, Cosan S.A. increased its share ownership in Novo Rumo to 92.88%. This transaction was a change in ownership interest without a loss of control and accounted for as a transaction in shareholders' equity.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
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8. Acquisitions (Continued)

b. Curupay S.A. Participações (Continued)

The following table summarizes the assets acquired and liabilities assumed in relation to Nova América. These amounts are final as valuations of intangible assets, fixed assets and other assets and liabilities were concluded as of March 31, 2010.

| Description | |
|--|----------------|
| Property, plant and equipment | 455,651 |
| Intangible assets | 125,491 |
| Noncontrolling interest in Novo Rumo | 68,180 |
| Inventories | 61,323 |
| Account receivables | 62,215 |
| Recoverable taxes | 12,527 |
| Related parties | 34,846 |
| Other assets | 100,555 |
| Long-term debt including current installments | (604,234) |
| Trade accounts payable | (80,936) |
| Estimated liability for legal proceedings and labor claims | (10,461) |
| Taxes and contributions payable | (28,821) |
| Deferred income taxes | (24,359) |
| Other liabilities | (64,802) |
| Net assets acquired | <u>107,175</u> |
| Consideration transferred, net of cash acquired | <u>294,605</u> |
| Goodwill | <u>187,430</u> |

The goodwill of US\$187,430 arising from the acquisition was assigned to the Sugar and Ethanol operating segment

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
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8. Acquisitions (Continued)

b. Curupay S.A. Participações (Continued)

The purchase price to acquire Curupay was allocated based on the fair value of the assets acquired and liabilities assumed. The Company obtained an independent valuation of its property, plant and equipment, intangible assets, long-term debt, and internally determined the fair value of its other assets and liabilities. The initial purchase price allocation has been adjusted primarily as a result of refinements in the Company's assumptions relating to property, plant and equipment, intangible assets and other assets and liabilities. These adjustments have resulted in a change in the determination of the amounts of deferred taxes upon the completion of the valuation. As a result of these changes, goodwill, as previously disclosed, has been changed as follows:

| | |
|--|----------------|
| Provisional goodwill | 290,519 |
| Intangible assets – Trademark (“União”) and Purchase Contracts | (125,491) |
| Adjustments of fair value of PP&E | (85,000) |
| Adjustments of fair value of recoverable taxes | 9,569 |
| Adjustments of fair value of receivables | 33,669 |
| Adjustments of fair value of other assets and liabilities | (3,171) |
| Deferred income tax | 67,335 |
| Goodwill | <u>187,430</u> |

c. TEAS Terminal Exportador de Álcool de Santos S.A.

On November 24, 2009, the Company acquired, for US\$11,574 cash, an additional 26.7% interest, represented by 10,527,295 common shares, of TEAS Terminal Exportador de Álcool de Santos S.A. (“TEAS”) from Crystalsev Comércio e Representação Ltda and Plínio Nastari Consultoria e Participações Ltda. As a result of this transaction, Cosan S.A. increased its direct share ownership in TEAS from 40.0% to 66.7% and obtained control of TEAS. TEAS holds a port concession in the city of Santos and operates a terminal dedicated to exporting ethanol.

The acquisition date fair value of the consideration transferred totaled US\$22,800, which consisted of the following:

| | |
|---|---------------|
| Cash | 11,574 |
| Acquisition date fair value of initial 40% investment | 11,226 |
| Total | <u>22,800</u> |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, unless otherwise stated)

8. Acquisitions (Continued)

c. TEAS Terminal Exportador de Álcool de Santos S.A. (Continued)

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date. The company is in the process of analyzing the necessity to obtain valuations of certain intangible assets and fixed assets; thus, the provisional measurements of intangible assets, fixed assets and goodwill are subject to change.

| Description | |
|---|---------------------|
| Property, plant and equipment | 12,089 |
| Other assets | 489 |
| Trade accounts payable | (74) |
| Other liabilities | (206) |
| Non-controlling interest | (3,574) |
| Net assets acquired | <u>8,724</u> |
| Consideration transferred, net of cash acquired | <u>12,917</u> |
| Goodwill | <u><u>4,193</u></u> |

The provisional goodwill of US\$4,193 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the Ethanol operations of Cosan S.A. and TEAS. The provisional goodwill was assigned to Sugar and Ethanol operating segment.

d. Logisport Armazens Gerais Ltda. (“Logisport”)

On November 12, 2009, Cosan S.A., through its subsidiary Rumo Logística S.A., acquired a 14.28% interest in Logisport, represented by 166,590 common shares, for US\$11,606 cash. Logisport is a logistics hub and warehouse based in the city of Sumaré.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)

Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008

(In thousands of U.S. dollars, unless otherwise stated)

8. Acquisitions (Continued)

e. Cosan CL (formerly Essobrás)

On December 1, 2008, Cosan and its subsidiary Usina da Barra S.A. Açúcar e Alcool ("Usina da Barra"), through Cosan's subsidiary Cosanpar Participações Ltda. ("Cosanpar"), acquired, for US\$714,353 cash and US\$8,289 in transaction costs, 100 percent of the outstanding shares of Cosan CL, a distributor in Brazil of oil products, ethanol, lubricants, and aviation fuel as well as an operator of convenience stores. The network of service stations to which Cosan CL distributes such products is comprised of more than 1,500 service stations. The results of Cosan CL operations have been included in the consolidated financial statements since the acquisition date.

As additional consideration for the purchase, Cosan will pay to the sellers as a contingent payment an amount based on a percentage of gross revenues of Cosan CL and other amounts based on the quantity of barrels of some ExxonMobil products sold during a 10 year period. These contingent payments will be recorded as additional cost of the acquired entity when the contingency is resolved.

The liabilities assumed in the acquisition include Notes issued by Cosan CL on December 16, 1999 and December 10, 1999 pursuant to a Note Purchase Agreement dated December 8, 1999, as amended, in the aggregate principal amount of US\$175,000, plus accrued interest on such amount which was held by ExxonMobil Capital N.V.

From March 1992 until December 2001 Cosan CL did not pay the COFINS tax levied on sales or this tax was paid and used to offset or otherwise applied against other taxes on the sale of fuels and other oil derivatives which have been discussed with the taxing authorities. During this period Cosan CL has made judicial deposits, which are restricted cash placed on deposit with the court and are held in judicial escrow for certain COFINS cases. The sellers have agreed to indemnify Cosan for any COFINS matters and any losses related thereto if Cosan CL loses these proceedings. If Cosan CL wins the proceedings, Cosan must pay the judicial deposits and related interest to the sellers. Provision for contingencies net of judicial deposits in the amount of US\$18,468 related to this matter, is included in net assets acquired.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, unless otherwise stated)

8. Acquisitions (Continued)

e. Cosan CL (formerly Essobrás) (Continued)

The following table summarizes the assets acquired and liabilities assumed.

| Description | Cosan CL US\$ |
|--|------------------|
| Trade accounts receivable | 134,634 |
| Inventories | 141,167 |
| Property, plant and equipment | 440,296 |
| Intangible assets | 167,054 |
| Other assets | 108,154 |
| Loans and financings | (25,638) |
| Trade accounts payable | (79,680) |
| Deferred income taxes | (92,637) |
| Notes payable to ExxonMobil Capital N.V. | (175,327) |
| Estimated liability for legal proceedings and labor claims (Note 14) | (111,608) |
| Estimated liability for unrecognized tax benefits (Note 16) | (34,605) |
| Actuarial liability | (31,338) |
| Other liabilities | (41,107) |
| Net assets (liabilities) acquired (assumed) | 399,365 |
| Consideration transferred, net of cash acquired | 711,858 |
| Goodwill | 312,493 |

Goodwill relating to the Cosan CL acquisition, which is substantially based on future profitability will be substantially deductible for tax purposes, and has been assigned to the Fuel Distribution and Lubricants operating segment.

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Notes to the consolidated financial statements (Continued)
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8. Acquisitions (Continued)

The following unaudited pro forma financial information presents the pro forma results of operations of Cosan and the acquired companies as if the acquisitions had occurred at the beginning of the years presented. The unaudited pro forma financial information does not purport to be indicative of the results that would have been obtained if the acquisitions had occurred as of the beginning of the years presented or that may be obtained in the future:

| | <u>2010</u> | <u>2009</u> |
|---|-------------|-------------|
| Net sales | 8,380,069 | 6,686,752 |
| Net (loss) income | 488,013 | (302,954) |
| Basic EPS (loss per share) per thousand shares (US\$) | 1.30 | (1.01) |
| Diluted EPS (loss per share) per thousand shares (US\$) | 1.29 | * |

*Antidilutive

9. Goodwill and other Intangible assets

Goodwill

The carrying amounts of goodwill by reporting segment as of March 31, 2010 and 2009 are as follows:

| | <u>Sugar and Ethanol segment (S&E)</u> | <u>Sugar Logistics segment (Rumo)</u> | <u>Fuels Distribution and Lubricants segment (CCL)</u> | <u>Total</u> |
|--|--|---------------------------------------|--|------------------|
| Balance as of April 30, 2008 | 688,383 | - | - | 688,383 |
| Acquisitions | - | - | 312,493 | 312,493 |
| Total tax benefit applied to reduce goodwill | (11,736) | - | - | (11,736) |
| Effect of currency translation | (186,724) | - | 854 | (185,870) |
| Balance as of March 31, 2009 | 489,923 | - | 313,347 | 803,270 |
| Acquisitions | 187,430 | 27,739 | - | 215,169 |
| Sale of Esso's Aviation business | - | - | (19,374) | (19,374) |
| Addition related to contingent consideration from Cosan CL acquisition | - | - | 26,208 | 26,208 |
| Effect of currency translation | 165,507 | 7,927 | 90,918 | 264,352 |
| Balance as of March 31, 2010 | <u>842,860</u> | <u>35,666</u> | <u>411,099</u> | <u>1,289,625</u> |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)

Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008

(In thousands of U.S. dollars, unless otherwise stated)

9. Goodwill and other Intangible assets (Continued)

There are no accumulated impairment losses.

Other intangible assets

| | <u>As of March 31, 2010</u> | | | |
|--|------------------------------|---|---------------------------------|----------------------------|
| | <u>Gross carrying amount</u> | <u>Weighted average amortization period</u> | <u>Accumulated amortization</u> | <u>Net Carrying Amount</u> |
| Intangible assets subject to amortization: | | | | |
| Favorable operating leases | 126,615 | 16 years | (46,624) | 79,991 |
| Trademark ("Barra") | 6,689 | 15 years | (3,383) | 3,306 |
| Trademark ("Esso") | 70,130 | 5 years | (18,701) | 51,429 |
| Trademark (" União") | 49,663 | 50 years | (828) | 48,835 |
| Port concession | 177,977 | 27 years | (6,592) | 171,385 |
| Purchase Contracts | 87,313 | 18 years | (4,042) | 83,271 |
| Customer base - Esso | 150,904 | 29 years | (6,938) | 143,966 |
| Software | 46,912 | 5 years | (28,522) | 18,390 |
| Total | <u>716,203</u> | | <u>(115,630)</u> | <u>600,573</u> |
| | | | | |
| | <u>As of March 31, 2009</u> | | | |
| | <u>Gross carrying amount</u> | <u>Weighted average amortization period</u> | <u>Accumulated amortization</u> | <u>Net Carrying Amount</u> |
| Intangible assets subject to amortization: | | | | |
| Favorable operating leases | 97,401 | 16 years | (30,036) | 67,365 |
| Trademark ("Barra") | 5,145 | 15 years | (2,259) | 2,886 |
| Trademark ("Esso") | 53,949 | 5 years | (3,597) | 50,352 |
| Customer base - Esso | 116,085 | 29 years | (7,738) | 108,347 |
| Software | 27,526 | 5 years | (15,125) | 12,401 |
| Total | <u>300,106</u> | | <u>(58,755)</u> | <u>241,351</u> |

The intangible assets identified in each acquisition were valued based on the benefit that each acquired company had in contracts with third parties with market benefits/discounts. The intangible assets are amortized on the straight-line method based on the contract periods.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)

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9. Goodwill and other Intangible assets (Continued)

No significant residual value is estimated for these intangible assets. The following table represents the total estimated amortization of intangible assets for the five succeeding years:

| | |
|------------|----------------|
| 2011 | 46,818 |
| 2012 | 46,818 |
| 2013 | 41,471 |
| 2014 | 34,704 |
| 2015 | 24,506 |
| Thereafter | <u>406,256</u> |
| | <u>600,573</u> |

10. Accounts receivable from Federal Government

The subsidiary Cosan Açúcar e Alcool has several indemnification suits filed against the Federal Government. The suits relate to product prices that did not conform to the reality of the market, which were mandatorily established at the time the sector was under the Government's control.

In connection with one of these suits, a final and unappealable decision in the amount of US\$149,121 was rendered in September 2006 in favor of Usina de Barra. This has been recorded as a gain in the statement of operations in 2007. Since the recorded amount is substantially composed of interest and monetary restatement, it was recorded in financial income and in a non-current receivable on the balance sheet. In connection with the settlement process, the form of payment continues to be negotiated with the government.

At March 31, 2010, the receivable and corresponding lawyers' fees totaled US\$187,385 and US\$22,486 (US\$139,700 and US\$16,764 at March 31, 2009), respectively.

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Notes to the consolidated financial statements (Continued)
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11. Taxes payable

| | <u>March 31, 2010</u> | <u>March 31, 2009</u> |
|--|---------------------------|---------------------------|
| Tax Recovery Program – Federal REFIS (1) | - | 69,516 |
| Special Tax Payment Program – PAES (1) | 230 | 28,912 |
| Tax Recovery from Brazilian Law No 11.941/09 and MP 470/09 | 373,650 | - |
| Income Tax and Social Contribution | 50,471 | 71,747 |
| Others | 78,657 | 48,719 |
| | <u>503,008</u> | <u>218,894</u> |
| Current liabilities | <u>(121,203)</u> | <u>(69,273)</u> |
| Long-term liabilities | <u>381,805</u> | <u>149,621</u> |

(1) These tax recovery programs have been reassessed and transferred to the Tax Recovery from Brazilian Law No 11.941/09 and MP 470/09, except for the recovery program related to PAES – *salário educação*.

On May 27, 2009 and October 13, 2009, Law 11.941 and MP 470 were approved by the Brazilian government creating a tax recovery program, permitting the taxpayer to settle its federal tax debts, previous recovery programs, and other federal taxes under court discussions with discounts on previously charged penalties and interest and in installments.

Additionally, it was permitted for the taxpayer to offset a portion of the penalties and interest due with its balance of income tax loss carry forwards. MP470 also allowed taxpayers to use tax losses to offset the principal balance related to IPI taxes (credit premium, Note 15).

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
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11. Taxes payable (Continued)

During the fiscal year, Cosan S.A. and subsidiaries joined the tax recovery program and the following effects were recorded:

| | |
|--|------------------|
| | <u>2010</u> |
| Tax payable and related estimated liability for legal proceedings before joining the tax recovery program Law 11.941 and MP 470 | 898,802 |
| Legal reductions | (348,604) |
| Net balance overdue on tax recovery program Law 11.941 and MP 470 | 550,198 |
| Tax payable and related estimated liability for legal proceedings recorded before joining the tax recovery program Law 11.941 and MP 470 | (701,985) |
| Current translation adjustment | 6,930 |
| Gain on tax recovery program | (144,857) |
| Net balance overdue on tax recovery program Law 11.941 and MP 470 | 550,198 |
| Amortization of Judicial Deposits | (56,620) |
| Use of income tax loss carry forward | (114,488) |
| Installments paid | (16,444) |
| Interest | 11,004 |
| Tax Recovery from Brazilian Law No 11.941/09 and MP 470/09 as of March 31, 2010 | 373,650 |

12. Long-term debt

Long-term debt is summarized as follows:

| | Index | Average annual interest rate | March 31, 2010 | March 31, 2009 |
|----------------------------|--------------|-------------------------------------|-----------------------|-----------------------|
| Resolution No. 2471 (PESA) | IGP-M | 4.0% | 295,291 | 213,314 |
| Senior notes due 2009 | US Dollar | 9.0% | - | 37,343 |
| Senior notes due 2014 | US Dollar | 9.5% | 354,433 | - |
| Senior notes due 2017 | US Dollar | 7.0% | 404,589 | 404,589 |
| IFC | US Dollar | 7.4% | - | 49,379 |
| Perpetual notes | US Dollar | 8.3% | 455,304 | 455,304 |
| BNDES | TJLP | 2.6% | 520,068 | 99,561 |
| Promissory notes | DI | 3.0% | - | 501,888 |
| Credit notes | DI | 2.4% | 212,660 | - |
| Credit notes | US Dollar | 6,2% | 102,656 | - |
| Export Pre-payment | US Dollar | 5,2% | 547,230 | - |
| Others | Various | Various | 396,315 | 115,876 |
| | | | <u>3,288,546</u> | <u>1,877,254</u> |
| Current portion | | | <u>(445,593)</u> | <u>(630,260)</u> |
| Long-term debt | | | <u>2,842,953</u> | <u>1,246,994</u> |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
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12. Long-term debt--Continued

Long-term debt has the following scheduled maturities:

| | |
|---------------------|------------------|
| 2012 | 339,438 |
| 2013 | 416,285 |
| 2014 | 127,810 |
| 2015 | 472,831 |
| 2016 | 59,154 |
| 2017 | 459,247 |
| 2018 | 57,141 |
| 2019 and thereafter | 911,047 |
| | <u>2,842,953</u> |

Resolution No. 2471 - Special Agricultural Financing Program (Programa Especial de Saneamento de Ativos), or PESA

To extend the repayment period of debts incurred by Brazilian agricultural producers, the Brazilian government passed Law 9.138 followed by Central Bank Resolution 2,471, which, together, formed the PESA program. PESA offered certain agricultural producers with certain types of debt the opportunity to acquire Brazilian treasury bills ("CTNs") in an effort to restructure their agricultural debt. The face value of the Brazilian treasury bills was the equivalent of the value of the restructured debt and was for a term of 20 years.

The acquisition price was calculated by the present value, discounted at a rate of 12% per year or at the equivalent of 10.4% of its face value. The CTNs were deposited as a guarantee with a financial institution and cannot be renegotiated until the outstanding balance is paid in full. The outstanding balance associated with the principal is adjusted in accordance with the IGP-M until the expiration of the restructuring term, which is also 20 years, at which point the debt will be discharged in exchange for the CTNs. Because the CTNs will have the same face value as the outstanding balance at the end of the term, it will not be necessary to incur additional debt to pay PESA debt.

On July 31, 2003, the Central Bank issued Resolution 3,114, authorizing the reduction of up to five percentage points of PESA related interest rates, effectively lowering the above-mentioned rates to 3%, 4% and 5%, respectively. The CTNs held by Cosan as of March 31, 2010 and 2009 amounted to US\$133,039 and US\$91,717, respectively, and considered as restricted cash and are classified as other non-current assets.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
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12. Long-term debt (Continued)

Senior notes due 2017

On January 26, 2007, the wholly-owned subsidiary Cosan Finance Limited issued US\$400,000 of senior notes in the international capital markets. These senior notes, listed on the Luxembourg Stock Exchange, mature in November 2017 and bear interest at a rate of 7% per annum, payable semi-annually. The senior notes are guaranteed by Cosan, and its subsidiary, Cosan Açúcar e Álcool.

Senior notes due 2014

On August 4, 2009, the indirect subsidiary CCL Finance Limited issued US\$ 350,000 of senior notes in the international capital markets. These senior notes, listed on the Luxembourg Stock Exchange, mature in August 2014 and bear interest at a rate of 9.5% per annum, payable semi-annually in February and August of each year, from February of 2010.

Perpetual notes

On January 24 and February 10, 2006, Cosan issued perpetual notes which are listed on the Luxembourg Stock Exchange - EURO MTF. These notes bear interest at a rate of 8.25% per year, payable quarterly on May 15, August 15, November 15 and February 15 of each year, beginning May 15, 2006.

These notes may, at the discretion of Cosan, be redeemed on any interest payment date subsequent to February 15, 2011. The notes are guaranteed by Cosan and by Usina da Barra.

Promissory Notes

On November 17, 2008, the Company issued one series of 44 registered promissory notes for US\$520,021. The notes which are due in one year, will bear interest, due at maturity, at the average rates of DI - Interbank Deposits plus 3%.

On November 12, 2009, the Company fully paid this debt. At this date, the amount paid totaled US\$703,801.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
(In thousands of U.S. dollars, unless otherwise stated)

12. Long-term debt (Continued)

Export Pre-payment Notes

During the third quarter of 2009, the Company obtained funds from export pre-payment notes at the total amount of US\$530,000. The export pre-payment notes are due from 2012 through 2014, and bear interest of Libor plus 5.2%.

BNDES

Refers to the financing of cogeneration projects, as well as the financing of Jataí and Caarapó greenfields (sugar and ethanol mills).

Credit Notes

The Company executed several credit note agreements with several financial institutions during 2010 which will be paid through export operations during 2012. The credit notes bear interest at rates between 2.1% and 6.2% per annum, payable semi-annually.

Covenants

Cosan and its subsidiaries are subject to certain restrictive covenants related to their indebtedness.

At March 31, 2010, Cosan was in compliance with its debt covenants.

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Notes to the consolidated financial statements (Continued)
 Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
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13. Related parties

Assets and liabilities with related parties are summarized as follows:

| | Assets | |
|--|---------------------------|---------------------------|
| | March 31, 2010 | March 31, 2009 |
| Cosan Alimentos S.A. | - | 13,123 |
| Rezende Barbosa S.A. Administração e Participações | 48,889 | - |
| Vertical UK LLP | - | 11,597 |
| Others | 10,780 | - |
| | 59,669 | 24,720 |
| Current (*) | (13,958) | (24,720) |
| Noncurrent (*) | 45,711 | - |
| | | |
| | Liabilities | |
| | March 31, 2010 | March 31, 2009 |
| Cosan Limited | - | 175,307 |
| Logisport Armazéns Gerais S.A. | 6,313 | - |
| Others | 1,781 | 1,926 |
| | 8,094 | 177,233 |
| Current (*) | 8,094 | (2,233) |
| Noncurrent | - | 175,000 |

(*) included in other current and noncurrent assets or liabilities captions

The amount receivable from Cosan Alimentos S.A. referred to an intercompany loan not subject to interest.

A receivable of US\$48,889 with Rezende Barbosa S.A. Administração e Participações related to credits assumed by Rezende Barbosa, in connection with the acquisition of Cosan Alimentos and intercompany loans.

The amount receivable from the affiliate Vertical UK LLP, located in British Virgin Islands, refers to ethanol trading, with an average maturity date of 30 days.

The payable to Cosan Limited related to Floating Rate Notes issued by Cosan CL., equivalent to US\$175,000, with original maturity in 2018. Such balance bore variable interest equivalent to the quarterly *Libor* rate plus interest of 2.8% p.a., paid quarterly. On August 25, 2009, Cosan CL fully paid this debt with the proceeds from the issuance of the Senior Notes due 2014 (Note 11).

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Notes to the consolidated financial statements (Continued)

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(In thousands of U.S. dollars, unless otherwise stated)

13. Related parties (Continued)

The payable to Logispot is related to the remaining payment in connection with the interest acquired (Note 8).

Cosan conducts some of its operations through various joint ventures and other partnership forms which are principally accounted for using the equity method. The income statement includes the following amounts resulting from transactions with related parties:

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--|------------------|-------------|-------------|
| Transactions involving assets | | | |
| Cash received due to the sale of finished products and assets and services held, net of payments | (159,734) | (242,320) | (36,773) |
| Sale of finished products and services | 137,147 | 122,381 | 46,410 |
| Sale of real estate (land) (Note 21) | - | 13,967 | - |
| Sale of interest in a subsidiary (Note 21) | - | 123,649 | - |
| Financial income | 9,624 | - | - |
| Added through acquisition | 39,240 | - | - |
| Transactions involving liabilities | | | |
| Payment of financial resources, net of funding | 2,698 | - | - |
| Due to Cosan Limited | (172,721) | 178,455 | - |
| Financial expenses/(income) | (42,126) | 1,478 | - |
| Other | - | (2,700) | (395) |

The purchase and sale of products are carried out at arm's length and unrealized profit or losses with consolidated companies have been eliminated. Those operations are also carried out at prices and under conditions similar to those existing in the market.

At March 31, 2010, Cosan S.A. and its subsidiaries were lessees of approximately 68,000 hectares (unaudited) (35,000 hectares (unaudited) in 2009) of affiliated companies land and its related party Radar Propriedades Agrícolas S.A., which is controlled by another shareholder. These operations are carried out under conditions and prices similar to those prevailing in the market, calculated based on sugarcane tons per hectare, valued in accordance with the price established by CONSECANA (São Paulo State Council of Sugarcane, Sugar and Ethanol Producers).

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Notes to the consolidated financial statements (Continued)
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14. Pension and other postretirement benefits

a) Description of the plans

The Company's subsidiary Cosan CL has a noncontributory defined benefit pension plan covering substantially all of its employees upon their retirement.

b) Changes in plan assets and plan liabilities

Cosan CL performs the actuarial valuation of its defined benefit plan using its March 31 year-end as the measurement date. An actuarial valuation as of the acquisition date was also prepared. Information with respect to Cosan CL's defined benefit plan is as follows:

| | March 31, 2010 | March 31, 2009 |
|--|---------------------------|---------------------------|
| Change in benefit obligation | | |
| Projected benefit obligation | 156,505 | 153,171 |
| Service cost | 2,935 | 578 |
| Interest cost on pension benefit obligation | 16,291 | 3,367 |
| Benefits payments | (10,173) | (1,710) |
| Actuarial (gain) losses | (28,817) | (102) |
| Effect of exchange rate changes | 46,041 | 1,201 |
| Projected benefit obligation at end of year | 182,782 | 156,505 |
| Change in plan assets | | |
| Fair value of plan assets at date of acquisition | 128,382 | 121,518 |
| Actual return on plan assets | 31,638 | 6,218 |
| Employer contributions | 4,503 | 1,371 |
| Benefits payments | (9,135) | (1,710) |
| Effect of exchange rate changes | 39,841 | 985 |
| Fair value of plan assets at end of year | 195,229 | 128,382 |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)
 Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
 (In thousands of U.S. dollars, unless otherwise stated)

14. Pension and other postretirement benefits (Continued)

b) Changes in plan assets and plan liabilities (Continued)

| | March 31, 2010 | March 31, 2009 |
|---|-------------------|-------------------|
| Accrued pension cost asset (liability) | | |
| Funded status, excess projected benefit obligation over plan assets | 12,447 | (28,123) |
| Accrued pension cost – Other non-current assets | 12,447 | - |
| Accrued pension cost – Other current liabilities | - | (7,211) |
| Accrued pension cost – Other non-current liabilities | - | (20,912) |

c) Amounts recognized in accumulated other comprehensive income (loss)

Amounts recognized in accumulated other comprehensive income (loss) consist of:

| | Pension benefits | |
|--------------------------------|-------------------|-------------------|
| | March 31, 2010 | March 31, 2009 |
| Unrecognized gains | 50,202 | 3,553 |
| Deferred income taxes | (17,068) | (1,208) |
| Effect of currency translation | (2,934) | 19 |
| | 30,200 | 2,364 |

d) Net periodic benefit cost

Net periodic pension cost includes the following components for the period since the date of acquisition:

| | March 31, 2010 | March 31, 2009 |
|---|-------------------|-------------------|
| Service cost | 2,935 | 578 |
| Interest cost on projected benefit obligation | 16,291 | 3,367 |
| Expected return on plan assets: | (15,558) | (2,767) |
| Net periodic pension cost | 3,668 | 1,178 |

The unrecognized gain that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost during the next year is U\$3,144.

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Notes to the consolidated financial statements (Continued)
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14. Pension and other postretirement benefits (Continued)

e) Actuarial assumptions

Assumptions used for the actuarial calculations were as follows:

Assumptions used to determine benefit obligations:

| | <u>March 31, 2010</u> | <u>March 31, 2009</u> |
|-------------------------------|---------------------------|---------------------------|
| Discount rate | 11.08% | 9.20% |
| Rate of compensation increase | 6.07% | 5.56% |

Assumptions used to determine net periodic benefit cost:

| | <u>March 31, 2010</u> | <u>March 31, 2009</u> |
|---|---------------------------|---------------------------|
| Discount rate | 11.08% | 9.20% |
| Expected long-term rates of return on plan assets | 10.48% | 10.59% |
| Rate of compensation increase | 6.07% | 5.56% |

The discount rate is determined using bond portfolios with an average maturity approximating that of the liabilities or spot yield curves, both of which are constructed using high-quality, local-currency-denominated bonds. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories.

The accumulated benefit obligation is as follows:

| | <u>March 31, 2010</u> | <u>March 31, 2009</u> |
|---------------------------------------|---------------------------|---------------------------|
| Accumulated benefit obligation | | |
| Actuarial present value of: | | |
| Vested benefit obligation | 142,967 | 121,362 |
| Non-vested benefit obligation | 20,651 | 17,820 |
| Total accumulated benefit obligation | <u>163,618</u> | <u>139,182</u> |

The asset allocations of the Company's plan assets as of the measurement dates were as follows:

| Asset category | <u>Asset allocation (%)</u> | | |
|-------------------|-----------------------------|---------------------------|---------------|
| | <u>March 31, 2010</u> | <u>March 31, 2009</u> | <u>Target</u> |
| Equity securities | 25 | 25 | 25 |
| Debt securities | 75 | 75 | 75 |
| Total | <u>100</u> | <u>100</u> | <u>100</u> |

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Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
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14. Pension and other postretirement benefits (Continued)

f) Cash flows

The expected contribution to the Plan for 2010 of US\$4,287, was estimated based on the actual plan cost as of the valuation date. The expected benefit payments for 2010, amounting to US\$10,013, were estimated based on the projected benefit obligation as of the valuation date.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

| | |
|--------------|--------|
| 2010 | 10,013 |
| 2011 | 10,582 |
| 2012 | 11,363 |
| 2013 | 12,172 |
| 2014 | 12,892 |
| 2015 to 2019 | 85,196 |

g) Investment strategy and policies:

The pension plan management implemented an asset investment policy to manage the investments and risk concentration of the Plan.

The investment policy establishes principles and guidance that must be followed in investing the resources of the plan. The Company's investment goals are to maximize returns subject to specific risk management policies, with a philosophy of investment based on a long term perspective.

Its risk management policies permit investments only in fixed income and equity securities.

The Investment Committee is responsible by the tactical decisions about resource allocations and modifications of the investment policy.

The investment in equity securities is targeted to be approximately of 25% of the investment portfolio, with the remaining amount invested in fixed income securities and funds. This target could change depending on the market conditions. The limits of allocation are determined based on the characteristics of the population of participants of the pension plan and actuarial target.

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14. Pension and other postretirement benefits (Continued)

The table below demonstrates how the resources can be allocated:

| <u>Asset category</u> | <u>Minimum</u> | <u>Maximum</u> | <u>Target</u> |
|-----------------------|----------------|----------------|---------------|
| Fixed income | 30% | 100% | 75% |
| Equity securities | - | 70% | 25% |

The risk concentration is mitigated through procedures which permit identifying, evaluating, controlling and monitoring several risks which the plan resources are exposed to, among them market, credit, liquidity, operating, legal and systemic.

h) Fair value of plan assets by major categories

The fair value of investments as of March 31, 2010 is set forth below:

| <u>Asset category</u> | <u>March 31, 2010</u> |
|-----------------------|---------------------------|
| Fixed income | 146,422 |
| Equity securities | 48,807 |
| Total | <u>195,229</u> |

Fair value measurement on plan assets at March 31, 2010

| <u>Asset category</u> | <u>Level 1 / Total</u> |
|-----------------------|------------------------|
| Fixed income | 146,422 |
| Equity securities | 48,807 |
| Total | <u>195,229</u> |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)

Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008

(In thousands of U.S. dollars, unless otherwise stated)

15. Estimated liability for legal proceedings and commitments

| | March 31, 2010 | March 31, 2009 |
|-------------------------------|---------------------------|---------------------------|
| Tax contingencies | 173,924 | 430,342 |
| Civil and labor contingencies | 120,681 | 67,306 |
| | 294,605 | 497,648 |

Cosan and its subsidiaries are parties in various ongoing labor claims, civil and tax proceedings in Brazil arising in the normal course of its business. Respective provisions for contingencies were recorded considering those cases in which the likelihood of loss has been rated as probable. Management believes resolution of these disputes will have no effect significantly different than the estimated amounts accrued.

Judicial deposits recorded by Cosan under non-current assets, amounting to US\$94,083 at March 31, 2010 (US\$73,975 at March 31, 2009) have been made for certain of these suits. Judicial deposits are restricted assets of Cosan placed on deposit with the court and held in judicial escrow pending legal resolution of the related legal proceedings. The company used judicial deposits to pay for a portion of the tax recovery program as discussed in Note 11.

The major tax contingencies as of March 31, 2010 and 2009 are described as follows:

| | 2010 | 2009 |
|-----------------------------------|----------------|-------------|
| Credit premium – IPI (i) | - | 116,256 |
| PIS and Cofins (ii) | 11,910 | 62,556 |
| IPI credits (i) | - | 40,049 |
| Contribution to IAA (i) | - | 36,672 |
| IPI – Federal VAT (i) | 4,692 | 23,626 |
| ICMS credits | 33,824 | 19,966 |
| Compensation with Finsocial (iii) | 97,114 | 70,693 |
| Other | 26,384 | 60,524 |
| | 173,924 | 430,342 |

- (i) The Company and its subsidiaries opted to settle tax related claims in installments as provided by Brazilian Law No 11.941/09 and in MP 470/09. The Company and its subsidiaries used accumulated tax losses to pay the related fines and interest. Consequently there was a full reduction of the claims related to IPI tax credit, as well as the installment payment of other federal taxes, that were recorded as Taxes Payable (note 11).

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15. Estimated liability for legal proceedings and commitments (Continued)

- (ii) On May 27, 2009, the 1st and 3rd paragraphs of Brazilian Law No 9718/98 that regulated the collection of PIS and Cofins (federal tax contributions) on exchange variation and other financial income was revoked by Law No 11941/09. The Company evaluated its ongoing judicial demands related to the legal obligations not paid related to the increase in the calculation basis of PIS and Cofins and reversed the related provision at the amount of US\$30,213.
- (iii) From June to December of 1994, the subsidiary Cosan CL used tax credits on COFINS taxes based on a favorable court ruling and compensated with other federal taxes. During 2008 the federal tax authorities in Brazil issued an assessment invalidating such compensation and therefore a provision related to this matter was recorded.

The detail of the movement in the estimated liability for legal proceedings and labor claims is as follows:

| | |
|-----------------------------------|----------------|
| Balance at April 30, 2008 | 494,098 |
| Provision | 37,731 |
| Business acquisition | 111,608 |
| Settlements | (12,097) |
| Foreign currency translation | (133,692) |
| Balance at March 31, 2009 | 497,648 |
| Provision | 47,732 |
| Business acquisition (see Note 8) | 14,756 |
| Settlements | (409,576) |
| Foreign currency translation | 144,404 |
| Balance at March 31, 2010 | 294,605 |

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Notes to the consolidated financial statements (Continued)

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15. Estimated liability for legal proceedings and commitments (Continued)

In addition to the aforementioned claims, Cosan and its subsidiaries are involved in other contingent liabilities relating to tax, civil and labor claims and environmental matters, which have not been recorded, considering their current stage and the likelihood of unfavorable outcomes rated as possible. These claims are broken down as follows:

| | March 31, 2010 | March 31, 2009 |
|-----------------------------------|---------------------------|---------------------------|
| ICMS – State VAT | 180,988 | 77,052 |
| Withholding Income Tax | 102,652 | 69,730 |
| IAA - Sugar and Ethanol Institute | 1,428 | 31,610 |
| IPI - Federal Value-added tax | 246,190 | 100,722 |
| INSS | 2,280 | 795 |
| PIS and COFINS | 80,604 | 15,529 |
| Civil and labor | 275,403 | 94,599 |
| Other | 66,134 | 34,851 |
| | 955,679 | 424,888 |

The provisions for tax, civil and labor contingencies are included in the statement of operations as follows:

| | 2010 | 2009 | 2008 |
|-------------------------|---------------|---------------|---------------|
| Financial expenses | 23,412 | 26,541 | 20,925 |
| Other income (expenses) | 16,832 | 11,190 | 4,995 |
| Income taxes | - | - | 258 |
| | 40,244 | 37,731 | 26,178 |

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Notes to the consolidated financial statements (Continued)

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15. Estimated liability for legal proceedings and commitments (Continued)

Commitments

Sales

Considering that Cosan operates mainly in the commodities market, its sales are substantially made at prices applicable at sales date, and therefore, there are no outstanding orders with amounts involved. However, Cosan has several agreements in the sugar market in which there are commitments of sales involving volumes of these products in future harvest periods.

The commitments to sell sugar by harvest period are as follows (unaudited):

| Harvest period | (In tons) | |
|-----------------------|------------------|------------------|
| | 2010 | 2009 |
| 2010 | - | 2,428,000 |
| 2011 | 2,005,434 | 1,828,000 |
| 2012 | 1,828,134 | 1,828,000 |
| Total | <u>3,833,568</u> | <u>6,084,000</u> |

Purchase

Cosan has entered into several commitments to purchase sugarcane from third parties in order to guarantee part of its production for the next harvest periods. The amount of sugarcane to be purchased was calculated based on an estimation of the sugarcane to be harvested in each geographic area. The amount to be paid by Cosan will be determined for each harvest period at the end of such harvest period according to price of the sugarcane published by CONSECANA.

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15. Estimated liability for legal proceedings and commitments (Continued)

Commitments (Continued)

Purchase (Continued)

The purchase commitments by harvest period as of March 31, 2010 and 2009 are as follows (unaudited):

| Harvest period | 2010 | 2009 |
|-----------------------|--------------------|-------------------|
| 2010 | - | 18,294,022 |
| 2011 | 27,029,473 | 15,597,478 |
| 2012 | 23,600,912 | 13,667,154 |
| 2013 | 20,112,639 | 9,754,713 |
| 2014 | 16,345,120 | 5,701,801 |
| 2015 | 13,667,148 | 3,198,591 |
| 2016 and thereafter | 120,129,217 | 5,030,758 |
| Total | <u>220,884,509</u> | <u>71,244,517</u> |

As of March 31, 2010, Cosan had a normal capacity to crush 60,000 thousand tons (unaudited) of sugarcane during each harvest period.

In addition, the Company entered into contracts to purchase industrial equipment intended for maintenance and expansion of the mills, and to meet the demand of the electric energy co-generation project, in the total amount of US\$185,739 at March 31, 2010 (US\$309,602 at March 31, 2009) (unaudited information).

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15. Estimated liability for legal proceedings and commitments (Continued)

Additionally, the Company through its subsidiary Rumo Logística S.A. entered into a commitment to purchase railcars, locomotives and invest in rail track improvements aimed at the expansion of the logistics business, as follows:

| Year ended | 2010 |
|-------------------|----------------|
| 2011 | 366,467 |
| 2012 | 71,248 |
| 2013 | 53,162 |
| Total | <u>490,877</u> |

Leases

Cosan also has noncancelable operating leases in Brazil, primarily related to seaport and lands for the plantation of sugarcane, which expire up to the next 20 years.

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease. Rental expense for operating leases during 2010, 2009 and 2008 consisted of the following:

| | 2010 | 2009 | 2008 |
|--------------------|----------------|---------------|---------------|
| Minimum rentals | <u>61,062</u> | 46,233 | 29,767 |
| Contingent rentals | <u>60,545</u> | 44,498 | 65,990 |
| Rental expense | <u>121,607</u> | <u>90,731</u> | <u>95,757</u> |

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of March 31, 2010 are:

| | 2010 |
|------------------------------|------------------|
| Year ending March 31: | |
| 2011 | <u>73,757</u> |
| 2012 | <u>66,220</u> |
| 2013 | <u>65,806</u> |
| 2014 | <u>66,061</u> |
| 2015 | <u>65,935</u> |
| Thereafter | <u>760,529</u> |
| Total minimum lease payments | <u>1,098,308</u> |

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Notes to the consolidated financial statements (Continued)

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16. Financial income and expenses, net

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|------------------|------------------|---------------|
| Financial expenses | | | |
| Interest | (211,892) | (142,434) | (149,191) |
| Monetary variation – losses | (88,317) | (29,870) | (36,844) |
| CPMF expenses (1) | - | - | (10,376) |
| Bank charges | (422) | (934) | (641) |
| Interest and fees paid on advanced payment of Senior Notes 2009 | (275) | - | (16,513) |
| | (300,906) | (173,238) | (213,565) |
| Financial income | | | |
| Interest | 68,042 | 46,851 | 64,014 |
| Monetary variation – Gains | 6,249 | 4,115 | 17,815 |
| Discounts obtained | 609 | 171 | (105) |
| Other income | - | - | - |
| | 74,900 | 51,137 | 81,724 |
| Sub total | (226,006) | (122,101) | (131,841) |
| Foreign exchange variation, net | 255,171 | (275,528) | 172,863 |
| Gain on derivatives, net | 151,077 | 22,918 | 38,262 |
| Financial (Expense) / Income, net | 180,242 | (374,711) | 79,284 |

(1) Tax on Financial Transactions – CPMF

17. Income taxes

Income tax benefit (expense) attributable to income from continuing operations consists of:

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---------------------------------|------------------|----------------|---------------|
| Income taxes benefit (expense): | | | |
| Current | (41,940) | (638) | 21,226 |
| Deferred | (142,841) | 145,328 | (1,416) |
| | (184,781) | 144,690 | 19,810 |

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17. Income taxes (Continued)

Income taxes differed from the amounts computed by applying the income tax rate of 25% and social contribution tax rate of 9% to income before income taxes due to the following:

| | 2010 | 2009 | 2008 |
|--|------------------|-------------|-------------|
| Income (loss) before income taxes | 684,930 | (417,946) | (60,051) |
| Income tax benefit (expense) at statutory rate — 34% | (232,876) | 142,102 | 20,417 |
| Increase (reduction) in income taxes resulting from: | | | |
| Equity in earnings of affiliates not subject to taxation | (3,486) | 2,083 | (81) |
| Tax effect on tax recovery program Law 11,941/09 and MP 470/09 | 31,635 | - | - |
| Tax loss carryforwards Law MP 470/09's write-off | 20,543 | - | - |
| Nondeductible goodwill amortization | - | (2,621) | (1,952) |
| Nondeductible donations, contributions and others | (597) | 3,126 | 1,426 |
| Income tax (expense) benefit | (184,781) | 144,690 | 19,810 |

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2010 and 2009 are presented below:

| | 2010 | 2009 |
|---|------------------|-------------|
| Deferred tax assets: | | |
| Net operating loss carryforwards | 166,555 | 123,533 |
| Estimated liability for legal proceedings and labor claims | 120,857 | 137,965 |
| Sale-leaseback (see Note 21) | 23,036 | 18,651 |
| Other temporary differences | 14,458 | 63,906 |
| Total gross deferred tax assets | 324,906 | 344,055 |
| Deferred tax liabilities: | | |
| Deferred tax liabilities on assigned value of the net assets and temporary differences: | | |
| Property, plant and equipment | (255,011) | (200,729) |
| Intangibles | (197,942) | (77,843) |
| Exchange variation | (103,003) | - |
| Tax benefit on deductible statutory goodwill amortization | (130,319) | (50,966) |
| Other temporary differences on business acquisition | (5,973) | (17,135) |
| Other temporary differences | (41,490) | (29,668) |
| Total gross deferred tax liabilities | (733,738) | (376,341) |
| Net deferred tax assets/ (liabilities) | (408,832) | (32,287) |
| Recorded as other current assets / (liabilities) | - | 8,090 |
| Recorded as non-current deferred income taxes liabilities | (408,832) | (40,377) |

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements (Continued)

Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008

(In thousands of U.S. dollars, unless otherwise stated)

17. Income taxes (Continued)

In assessing the valuation allowance of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. There is no expiration term for the net operating loss carry forwards. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that Cosan will realize the benefits of these deductible differences at March 31, 2010, as well as the net operating loss carry forwards. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

As of March 31, 2010, Cosan and its subsidiaries have consolidated net operating loss carry forwards for income tax and social contribution tax losses of US\$488,176, and US\$495,189, respectively. Income tax losses carry forwards and social contribution tax losses may be offset against a maximum of 30% of annual taxable income earned from 1995 forward, with no statutory limitation period.

Cosan accounts for unrecognized tax benefits in accordance with ASC 740, "Accounting for Uncertainty in Income Taxes". A reconciliation of the beginning and ending amount of unrecognized tax benefits recorded as noncurrent taxes payable, is as follows:

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

| | |
|--|----------|
| Balance at May 1, 2008 | 23,656 |
| Increase through business acquisition | 34,605 |
| Accrued interest on unrecognized tax benefit | 1,534 |
| Settlements | (48) |
| Effect of foreign currency translation | (5,752) |
| Balance at March 31, 2009 | 53,995 |
| Accrued interest on unrecognized tax benefit | (21,177) |
| Effect of foreign currency translation | 16,195 |
| Balance at March 31, 2010 | 49,013 |

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17. Income taxes (Continued)

It is possible that the amount of unrecognized tax benefits will change in the next twelve months, however, an estimate of the range of the possible change cannot be made at this time due to the long time to reach a settlement agreement or decision with the taxing authorities.

The Company and its subsidiaries file income tax returns in Brazil and they are subject to income tax examinations by the relevant tax authorities for the years 2005 through 2010.

18. Shareholders' equity

a. Capital

On November 19, 2007, the Board of Directors approved a capital increase of US\$3,205, through issuance of 922,947 new common shares, with no par value, for purposes of meeting the needs of the Stock Option Plan, in view of the exercise of this option by the Company's officers eligible for such.

At the Extraordinary General Meeting held on December 5, 2007, a capital increase of US\$967,198 was approved, through issue of 82,700,000 common registered uncertified shares without par value, by means of private subscription, at the issue price of US\$11.70 each. This capital increase was fully paid-up on January 23, 2008, as described below.

On December 11, 2007, the shareholders approved a capital increase of US\$134, through issuance of 38,725 new common shares, with no par value, for purposes of meeting the needs of the Stock Option Plan, in view of the exercise of this option by the Company's officers eligible for such.

On January 23, 2008, the period for exercising the capital subscription right ended, as approved in the Extraordinary General Meeting of December 5, 2007. The parent company, Cosan Limited, subscribed and paid in 56,607,396 common shares in the amount of US\$662,038, followed by subscription and payment by minority shareholders of 26,092,604 common shares equivalent to US\$305,160.

As a result of the subscription of shares, the parent company now holds 152,939,440 common shares, representing 56.11% of the Company's capital.

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18. Shareholders' equity (Continued)

a. Capital (Continued)

On April 18, 2008, parent company Cosan Limited announced its acceptance of the total Company shares of shareholders submitted in connection with the Share Acquisition Voluntary Public Offering ("OPA – Oferta Pública de Aquisição de Ações") through the exchange of BDRs for Class A shares issued by Cosan Limited. After conclusion of the auction held on that date, 18,232,812 common shares of the Company, representing 6.7% of its total common shares, were submitted for exchange. With the OPA, the parent company, Cosan Limited, became the holder of 62.8% of the Company's total common shares.

On September 19, 2008, the board of directors approved a capital increase of US\$456,084 through issuance of 55,000,000 previously unissued registered common shares without par value in a private subscription at an issuance price of US\$8.29 each. The subscribers of each new share also received one Subscription Warrant (Warrant) which resulted in 55,000,000 Warrants being issued. Each Warrant grants its holder the right to subscribe 0.6 common shares, with the distribution of fractional shares not being permitted. Therefore, the Warrants issued permit the holders to purchase 33,000,000 shares. The Warrants were valid from their issue date to December 31, 2009. The exercise price of each amount of Warrants which totals one share is US\$8.29 per share. As of December 31, 2009, 49,987,552 Warrants were exercised, the remaining 12,448 warrants expired.

October 22, 2008 was the deadline to exercise the right of capital subscription, approved in the meeting of the board of directors on September 19, 2008. Since a large number of the minority shareholders did not exercise their preemptive rights, Cosan Limited, the controlling shareholder, subscribed for and paid up 54,993,482 common shares valued at US\$456,034, and the minority shareholders subscribed for and paid up 6,518 common shares, valued at US\$50. As a result, Cosan Limited increased its holding of company's common shares from 171,172,252 to 226,165,734. This increased their ownership percentage from 62.81% to 69.05% of the Company's capital.

On March 6, 2009, the Board of Directors approved a capital increase of US\$1,945 through issuance of 736,852 new common shares, with no par value, for purposes of meeting the needs of the Stock Option Plan, due to exercise of such options by qualifying executives.

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Notes to the consolidated financial statements (Continued)

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18. Shareholders' equity (Continued)

a. Capital (Continued)

On June 18, 2009, the shareholders approved a capital increase of US\$169,552 through the issuance of 44,300,389 new common shares, with no par value, for purposes of the acquisition of Curupay. As part of this acquisition Cosan acquired noncontrolling interest in Novo Rumo in the amount of US\$62,476, which has been accounted for as an equity transaction, with a dilution of noncontrolling interest. (Note 8).

On July 15, 2009, the Board of Directors approved a capital increase of US\$6,074 through issuance of 224,819 new common shares, with no par value, for purposes of meeting the needs of the Stock Option Plan, due to exercise of such options by qualifying executives.

On August 7, 2009, the Board of Directors approved a capital increase of US\$440 through issuance of 50 new common shares, with no par value, at an issue price of US\$9.00, due to exercise of subscription warrants by the holders.

On October 5, 2009, the Board of Directors approved a capital increase of US\$1,772 through issuance of 169,500 new common shares, with no par value, for purposes of meeting the needs of the Stock Option Plan, due to exercise of such options by qualifying executives.

On October 29, 2009, the Board of Directors approved a capital increase of US\$236,168 through issuance of 23,753,953 new common shares, with no par value, at an issue price of US\$9.00, due to exercise of subscription warrants by Cosan Limited, the controlling shareholder. As a result, Cosan Limited increased its holding of company's common shares from 226,165,734 to 249,919,687. This increased their ownership percentage from 60.64% to 62.99% of the Company's capital.

On December 15, 2009, the Board of Directors approved a capital increase of US\$830 through issuance of 84,000 new common shares, with no par value, at an issue price of US\$9.00, due to exercise of subscription warrants by the holders. On the same day, the Board of Directors approved a capital increase of US\$6,011 through issuance of 571,194 new common shares, with no par value, for purposes of meeting the needs of the Stock Option Plan, due to exercise of such options by qualifying executives.

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18. Shareholders' equity (Continued)

a. Capital (Continued)

On December 22, 2009, the Board of Directors approved a capital increase of US\$78,647 through issuance of 8,072,976 new common shares, with no par value, at an issue price of US\$9.00, due to the exercise of subscription warrants by Cosan Limited and other holders. Cosan Limited exercised 5,403,560 subscription warrants which resulted in an issuance of 3,242,136 new common shares and other holders exercised 8,051,400 subscription warrants which resulted in an issuance of 4,830,840 new common shares. As a result, Cosan Limited increased its holding of company's common shares from 249,919,687 to 253,161,823, which increased their ownership percentage from 62.89% to 63.19% of the Company's capital.

On December 31, 2009, the Board of Directors approved a capital increase of US\$10,772 through issuance of 1,081,552 new common shares, with no par value, at an issue price of US\$9.00, due to exercise of subscription warrants by the holders. This decreased Cosan Limited's ownership percentage from 62.27% of the Company's capital

On March 29, 2010, the Board of Directors approved a capital increase of US\$174 through issuance of 17,000 new common shares, with no par value, for purposes of meeting the needs of the Stock Option Plan, due to exercise of such options by qualifying executives.

As of March 31, 2010, the Company's capital is represented by 406,560,317 common shares (328,284,884 as of March 31, 2009), with no par value.

Treasury stock

Over the year ended March 31, 2009, the Company acquired 343,139 common shares from dissident shareholders related to a prior acquisition. These shares are held in treasury.

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18. Shareholders' equity (Continued)

b. Appropriated retained earnings

The Brazilian Corporate law and Cosan's by-laws require that annual appropriations be made to certain reserves (appropriated retained earnings). These comprise mainly 5% of net income (statutory accounts) that must be transferred to a legal reserve until such reserve reaches 20% of capital stock under Brazilian GAAP. The legal reserve can only be used to increase share capital or offset net losses.

c. Dividends

According to Cosan's by-laws, shareholders are entitled to minimum compulsory dividends of 25% of the year's net income, adjusted in accordance with article 202 of Law 6404/76 (Brazilian Corporate Law). For the year ended March 31, 2010 the minimum mandatory dividends were calculated as follows:

| | |
|---|------------------|
| | 2010 |
| Net income under Brazilian GAAP | 528,611 |
| (Less) Compensation of accumulated losses | (265,608) |
| (Plus) Foreign exchange gain | 12,577 |
| | 275,580 |
| (Less) Legal reserve – 5% | (13,779) |
| | 261,806 |
| Dividends payable | 65,451 |

Management has also proposed dividends above the minimum compulsory at the amount of US\$46,845 which is subject to approval by the shareholders.

d. Retained earnings

Brazilian law permits the payment of dividends only in *reais*, limited to the unappropriated retained earnings of company's financial statements prepared in accordance with Brazilian Corporate Law.

The devaluation of the *real* impacts the amount available for distribution when measured in U.S. dollars. Amounts reported as available for distribution in our statutory accounting records prepared under accounting principles set forth under Brazilian Corporate Law will decrease or increase when measured in U.S. dollars as the *Real* depreciates or appreciates, respectively, against the U.S. dollar.

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Notes to the consolidated financial statements (Continued)
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19. Share-based compensation

In the ordinary and extraordinary general meeting held on August 30, 2005, the guidelines for the outlining and structuring of a stock option plan for Cosan officers and employees were approved, thus authorizing the issue of up to 5% of shares comprising Cosan's share capital. This stock option plan was outlined to attract and retain services rendered by officers and key employees, offering them the opportunity to become shareholders of Cosan. On September 22, 2005, Cosan's board of directors approved the distribution of stock options corresponding to 4,302,780 common shares to be issued or treasury shares held by Cosan related to 3.25% of the share capital at the time, authorized by the annual/extraordinary meeting. The remaining 1.75% remained to be distributed. On September 22, 2005, the officers and key employees were informed regarding the key terms and conditions of the share-based compensation arrangement.

According to the market value on the date of issuance, the exercise price is US\$2.64 (two dollars and sixty four cents) per share which does not include any discount. The exercise price was calculated before the valuation mentioned above based on an expected private equity deal which did not occur. Options may be exercised after a one-year vesting period starting November 18, 2005, at the maximum percentage of 25% per year of the total stock options offered by Cosan. The options for each 25% have a five-year period to be exercised.

On September 11, 2007, the board of directors approved an additional distribution of stock options, in connection with the stock option plan mentioned above, corresponding to 450,000 common shares to be issued or purchased by Cosan related to 0.24% of the share capital at September 22, 2005. The remaining 1.51% may still be distributed.

On August 7, 2009, the board of directors approved an additional distribution of stock options, in connection with the stock option plan mentioned above, corresponding to 165,657 common shares to be issued or purchased by Cosan. Such options were issued without a vesting period; therefore, the intrinsic value at grant date was the basis for calculating the fair value of the options, at US\$9.82 per option, and an expense of US\$1,071 was fully recorded by the Company.

The exercise of options may be settled only through issuance of new common shares or treasury shares.

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Notes to the consolidated financial statements (Continued)

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19. Share-based compensation (Continued)

The employees that leave Cosan before the vesting period will forfeit 100% of their rights. However, if the employment is terminated by Cosan without cause, the employees will have right to exercise 100% of their options of that particular year plus the right to exercise 50% of the options of the following year.

The fair value of share-based awards was estimated using a binominal model with the following assumptions:

| | Options granted on September 22, 2005 | Options granted on September 11, 2007 | Options granted on August 7, 2009 |
|--|--|--|--|
| Grant price - in U.S. dollars | 3.43 | 3.43 | 3.43 |
| Expected life (in years) | 7.5 | 7.5 | Immediate |
| Interest rate | 14.52% | 9.34% | (1) |
| Expected Volatility | 34.00% | 46.45% | (1) |
| Expected Dividend yield | 1.25% | 1.47% | (1) |
| Weighted-average fair value at grant date - in U.S. dollars | 6.93 | 10.22 | (1) |

(1) The options were fully vested at the date of issuance so the fair value was the quoted market price as of the grant date.

Expected Term - Cosan's expected term represents the period that Cosan's share-based awards are expected to be outstanding and was determined based on the assumption that the officers will exercise their options when the exercise period is over. Therefore, this term was calculated based on the average of 5 and 10 years. Cosan does not expect any forfeiture as those options are mainly for officers, whose turnover is low.

Expected Volatility – For the options granted on September 22, 2005 Cosan had its shares publicly-traded for less than 6 months as of April 30, 2006. Therefore, Cosan opted to substitute the historical volatility by an appropriate global industry sector index, based on the volatility of the share prices, and considering it as an assumption in its valuation model. Cosan has identified and compared similar public entities for which share or option price information is available to consider the historical, expected, or implied volatility of those entities' share prices in estimating expected volatility based on global scenarios. For the options granted on September 11, 2007 Cosan used the volatility of its shares as an assumption in its valuation model since Cosan's IPO in Brazil, in 2005.

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19. Share-based compensation (Continued)

Expected Dividends – As the Company is a relatively new public entity, the expected dividend yield was calculated based on the current value of the stock at the grant date, adjusted by the average rate of the return to shareholders for the expected term, in relation of future book value of the shares.

Risk-Free Interest Rate - Cosan bases the risk-free interest rate used in the Binominal Model valuation method on the implied yield currently available on SELIC - Special System Settlement Custody, which is the implied yield currently available on zero-coupon securities in Brazil.

As of March 31, 2010, the amount of US\$1,662 related to the unrecognized compensation cost related to stock options is expected to be recognized in 6 months.

Stock option activity for the year ended March 31, 2010 and eleven-month period ended March 31, 2009, is as follows:

| | Option | Weighted- average exercise price |
|---|------------------|---|
| Outstanding as of April 30, 2008 | 2,373,341 | 3.62 |
| Exercises | (736,852) | 2.64 |
| Forfeitures or expirations | (165,657) | 2.64 |
| Outstanding as of March 31, 2009 | 1,470,832 | 2.64 |
| Grants of options | 165,657 | 3.43 |
| Exercises | (982,513) | 3.43 |
| Outstanding as of March 31, 2010 | 653,976 | 3.43 |
| Shares exercisable at March 31, 2010 | 408,819 | 3.43 |
| Shares exercisable at March 31, 2009 | 736,852 | 2.64 |

20. Earnings per share

The table below reconciles weighted average shares outstanding to weighted average shares and dilutive potential shares outstanding:

| | 2010 | 2009 | 2008 |
|---|--------------------|-------------|-------------|
| Weighted average shares outstanding | 375,973,226 | 300,994,991 | 222,620,060 |
| Effect of dilutive stock options | 1,169,417 | * | * |
| Weighted average shares and dilutive potential shares outstanding | 377,142,643 | 300,994,991 | 222,620,060 |

* There are no dilutive shares due to a loss during the period

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21. Risk management and financial instruments

a. Risk management

The commodity and foreign exchange rates price volatilities are the main market risks to which Cosan and its subsidiaries are exposed. Cosan carries out operations involving financial instruments with a view to managing such risks.

These risks and related instruments are managed through the definition of strategies, establishment of control systems and determination of foreign exchange, interest rate and price change limits.

b. Price risk

Cosan carries out transactions involving derivatives, with a view to reducing its exposure to sugar price variations in the foreign market. Such transactions generally assure an average minimum income for future production. Cosan actively manages the positions contracted and relevant results of such activity are continually monitored, so as to allow that adjustments be made to goals and strategies considering changes in market conditions. Cosan operates mainly in futures and options markets on the NYBOT (New York Board of Trade) and the LIFFE (London International Financial Futures and Options Exchange).

c. Foreign exchange risk

Cosan carries out transactions involving derivatives, with a view to reducing its exposure to foreign exchange rate variations on exports. Foreign exchange derivative transactions combined with commodity price derivatives generally assure an average minimum income for future production. Cosan actively manages the positions contracted and relevant results of such activity are continually monitored, so as to allow that adjustments be made to goals and strategies considering changes in market conditions. Cosan operates mainly through futures contracts over BM&F (“Bolsa de Mercadorias e Futuros de São Paulo”) and in the over-the-counter segment with leading institutions.

Additionally, Cosan has also engaged in currency and interest rate swap operations for charges associated to Senior Notes, from the U.S. dollar exchange rate variation plus interest of 9% p.a. to 81% of CDI.

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21. Risk management and financial instruments (Continued)

d. Interest rate risk

Cosan monitors fluctuations of the several interest rates linked to its monetary assets and liabilities and, in the event of increased volatility of such rates, it may engage in transactions with derivatives so as to minimize such risks. During 2010 Cosan entered into swap contracts to exchange fixed to Libor interest rate in order to protect against variations in the Libor on certain loan contracts.

e. Credit risk

A significant portion of sales made by the Company and its subsidiaries is intended for a selected group of highly qualified counterparties, such as trading companies, fuel distribution companies and large supermarket chains. In connection with the fuel distribution activity, a diversified customer portfolio, in addition to following up on the sales financing terms by business segment and their individual credit limits, are procedures adopted by the Company to minimize overdue accounts receivable and defaults. Credit risk is managed through specific rules of client acceptance, credit rating and establishment limits for customer exposure, including, when applicable, requirement of letters of credit from a top rated bank and obtaining security interest on credits granted. Management considers that the credit risk is substantially covered by the allowance for doubtful accounts. The Company and its subsidiaries historically do not record material losses on trade accounts receivable.

f. Debt acceleration risk

As of March 31, 2010 and 2009, Cosan was a party to loan and financing agreements with covenants generally applicable to these operations, regarding cash generation, debt to equity ratio and others. These covenants are being complied with by Cosan and do not place any restrictions on its operations as a going-concern.

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21. Risk management and financial instruments (Continued)

g. Estimated market values

The following methods and assumptions were used to estimate the fair value of each main class of financial instruments:

- *Accounts receivable and trade accounts payable:* The carrying amounts reported in the balance sheet for accounts and notes receivable and accounts payable approximate their fair values.
- *Short-term and long-term debt and advances from customers:* Except when there are published market prices, the market values of loans and financing were calculated based on their present value calculated through the future cash flows and using interest rates applicable to instruments of similar nature, terms and risks or based on the market quotation of these securities.

The following table presents the carrying amounts and estimated fair values of Cosan's financial instruments at March 31, 2010 and 2009. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

| | 2010 | | 2009 | |
|-------------------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets: | | | | |
| Cash and cash equivalents | 605,483 | 605,483 | 310,710 | 310,710 |
| Financial liabilities: | | | | |
| Short-term and long-term debt | 3,288,546 | 3,181,218 | 1,877,254 | 1,731,727 |

Assets and liabilities that are reflected in the accompanying consolidated financial statements at fair value or have their fair value disclosed in the notes to the consolidated financial statements are not included in the above disclosures; such items include derivative financial instruments.

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22. Deferred gain on sale of investments in subsidiaries

Agrícola Ponte Alta S.A. is a subsidiary whose principal assets are land used for the growing of sugarcane for Cosan. On December 15, 2008, the shareholders approved a partial spin-off of the assets of Ponte Alta and created four new subsidiaries. Agricultural land was then transferred from Ponte Alta to each of the entities. On December 30, 2008, two of the entities, Nova Agrícola Ponte Alta S.A. and Terras da Ponte Alta S.A. were sold to Radar, an affiliate company accounted for by the equity method. The selling price was fair value, US\$123,596, which resulted in a gain of US\$47,080. This gain has previously been deferred since there were no lease contracts executed for the land, which was being used by Cosan for a monthly fee. Over the year ended March 31, 2009 the lease contracts were executed, and the gain is being amortized since then to profit and loss over the 19 year average term of the leases.

During the year ended March 31, 2010, the Company has amortized a gain of US\$3,394 related to this sale-leaseback transaction.

23. Fair value measurements

Effective May 1, 2008, Cosan adopted ASC 820, Fair Value Measurements (SFAS 157), for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. ASC 820 establishes a new framework for measuring fair value and expands related disclosures. Broadly, the ASC 820 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. ASC 820 establishes market or observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices for identical instruments in active markets.

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23. Fair value measurements (Continued)

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

The following section describes the valuation methodologies Cosan uses to measure different financial instruments at fair value.

Derivatives

Cosan uses closing prices for derivatives included in Level 1, which are traded either on exchanges or liquid over-the-counter markets.

The remainder of the derivatives portfolio is valued using internal models, most of which are primarily based on market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities. Derivative assets and liabilities included in Level 2 primarily represent interest rate swaps, foreign currency swaps and commodity forward contracts.

The following table presents our assets and liabilities measured at fair value on a recurring basis at March 31, 2010.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|--------------------|----------------|----------------|--------------|
| Assets | | | |
| Derivatives | 72,239 | 57,217 | 129,456 |
| Liabilities | | | |
| Derivatives | (29,130) | (13,937) | (43,067) |

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24. Segment information (Continued)

a. Segment information

The following information about segments is based upon information used by Cosan's senior management to assess the performance of operating segments and decide on the allocation of resources. Cosan's operating and reportable segments are business units in Brazil that target different industry segments. Each reportable segment is managed separately because of the need to specifically address customer needs in these different industries. The operations of these segments are based solely in Brazil.

In 2010, in connection with some management changes and realignment of the business, management has combined the Sugar and Ethanol segments into the Sugar and Ethanol (S&E) segment. This change reflects the manner in which the Chief Operating Decision Maker evaluates the business and allocates resources. The S&E segment mainly operates and produces a broad variety of sugar and ethanol products. These products are produced in the same facilities using the same basic raw material – sugarcane. The plants have the flexibility of being configured to produce either of the two finished products which provides management the ability to adjust production based on market demand. Disclosures relating to this operating segment also include the revenues of the two major products. The prior year amounts have been reclassified to reflect the combination of the Sugar and Ethanol Segments.

Additionally, the current year acquisition of Teaçú and Curupay and their combination with the Novo Rumo business has resulted in a new operating segment that is called Sugar Logistics (RUMO).

Following is a description of the operating segments of the business.

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24. Segment information (Continued)

a. Segment information (continued)

The Sugar and Ethanol (“S&E”) segment produces and sells a broad variety of sugar and ethanol products.

The sugar products include raw (also known as very high polarization - VHP sugar), organic, crystal and refined sugars, which are sold to a wide range of customers in Brazil and abroad. Cosan exports the majority of the sugar produced through international commodity trading companies. Cosan’s domestic customers include wholesale distributors, food manufacturers and retail supermarkets, through which it sells its “Da Barra” and “União” branded products. The ethanol products include fuel ethanol and industrial ethanol. Cosan’s principal fuel ethanol products are hydrous and anhydrous. Hydrous ethanol is used as an automotive fuel and anhydrous (which has a lower water content than hydrous ethanol) is used as an additive in gasoline. The fuel ethanol products are mainly sold in the domestic market by fuel distribution companies. Consumption of hydrous ethanol in Brazil is increasing as a result of the introduction of flex fuel vehicles that can run on either gasoline or ethanol (or a combination of both). In addition, S&E segment sells also liquid and gel ethanol products used mainly in the production of paint and cosmetics and alcoholic beverages for industrial clients in various sectors. The S&E segment includes also the co-generation activities and most of corporate activities.

The Fuel Distribution and Lubricants (“CCL”) segment is engaged in the distribution in Brazil of fuel products, derived from petroleum or ethanol, and lubricants as well as the operation of convenience stores. The network to which the fuel distribution segment distributes such products is comprised of approximately 1,700 fuel stations.

The Sugar Logistics (“Rumo”) segment provides logistics services for the transport, storage and port lifting of sugar for both the S&E segment and third parties.

The accounting policies underlying the financial information provided for the segments are based on Brazilian GAAP. We evaluate segment performance based on information generated from the statutory accounting records.

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Notes to the consolidated financial statements (Continued)
 Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
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24. Segment information (Continued)

a. Segment information (continued)

Segment profit and loss and selected balance sheet data under Brazilian GAAP is as follows:

| | 2010 | | | | Consolidated US GAAP |
|---|------------------|------------------|----------------|--------------------------------------|-------------------------|
| | S&E | CCL | Rumo | Adjustments / eliminations (1) | |
| | Brazilian GAAP | | | | |
| Balance sheet: | | | | | |
| Property, plant & equipment (PP&E) | 2,775,752 | 199,983 | 165,094 | 856,986 | 3,997,815 |
| Intangible assets | 735,198 | 774,716 | 38,824 | (948,165) | 600,573 |
| Loans, net of cash equivalents | (2,443,354) | (249,839) | (59,799) | 69,929 | (2,683,063) |
| Other assets net of other liabilities | 2,113,306 | 342,720 | 7,696 | (912,642) | 1,551,080 |
| Total net assets | 3,180,903 | 1,067,579 | 151,815 | (933,892) | 3,466,405 |
| Income statement (12 months): | | | | | |
| Net sales | 2,882,935 | 5,436,199 | 84,797 | (120,780) | 8,283,151 |
| Gross profit | 703,108 | 412,866 | 22,896 | (74,746) | 1,064,124 |
| Selling, general and administrative expenses (SG&A) | (455,906) | (264,081) | (9,705) | (8,942) | (738,634) |
| Other income (expenses) | 167,293 | 9,071 | 2,149 | 685 | 179,198 |
| Other selected data: | | | | | |
| Additions to PP&E ("Capex") | 948,838 | 49,579 | 83,067 | - | 1,081,484 |
| Depreciation and amortization | 313,324 | 20,067 | 7,591 | 144,916 | 485,898 |

(1) Refers to the consolidation eliminations and adjustments to USGAAP

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Notes to the consolidated financial statements (Continued)
 Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
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24. Segment information (Continued)

a. Segment information (continued)

| | 2009 | | | | |
|---|------------------|---------------|---------------|-----------------------------------|------------------|
| | S&E | CCL | Rumo | Adjustments / eliminations (1) | Consolidated |
| | Brazilian GAAP | | | | US GAAP |
| Balance sheet: | | | | | |
| Property, plant & equipment (PP&E) | 1,330,266 | 128,712 | 29,414 | 613,395 | 2,101,787 |
| Intangible | 423,571 | 966 | | (183,186) | 241,351 |
| Loans, net of cash equivalents | (1,122,560) | 39,663 | 4,811 | (488,458) | (1,566,544) |
| Other assets net of other liabilities | 2,943,642 | (78,223) | (1,469) | (1,917,548) | 946,402 |
| Total net assets | 3,574,919 | 91,118 | 32,756 | (1,975,797) | 1,722,996 |
| Income statement (11 months): | | | | | |
| Net Sales | 1,561,118 | 1,549,359 | 26,862 | (210,879) | 2,926,460 |
| Gross profit | 297,183 | 94,719 | 6,877 | (90,196) | 308,583 |
| Selling, general and administrative expenses (SG&A) | (264,947) | (85,577) | (2,866) | 3,861 | (349,529) |
| Other income (expenses) | 93,529 | 779 | 5,387 | (101,984) | (2,289) |
| Other selected data: | | | | | |
| Addition to PP&E ("Capex") | 574,112 | 4,881 | 2,433 | - | 581,426 |
| Depreciation and amortization | 203,832 | 6,299 | 2,946 | 75,583 | 288,660 |

(1) Refers to the consolidation eliminations and adjustments to USGAAP

| | 2008 | | | | |
|---|----------------|-----|---------|-----------------------------------|--------------|
| | S&E | CCL | Rumo | Adjustments / eliminations (1) | Consolidated |
| | Brazilian GAAP | | | | US GAAP |
| Income statement (12 months): | | | | | |
| Net Sales | 1,482,573 | - | 28,159 | (19,499) | 1,491,233 |
| Gross profit | 189,048 | - | 3,176 | (45,835) | 146,389 |
| Selling, general and administrative expenses (SG&A) | (276,995) | - | (4,139) | (920) | (282,054) |
| Other income (expenses) | 2,712 | - | (948) | (5,434) | (3,670) |

(1) Refers to the consolidation eliminations and adjustments to USGAAP

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Notes to the consolidated financial statements (Continued)
 Year ended March 31, 2010, eleven-month period ended March 31, 2009 and year ended April 30, 2008
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24. Segment information (Continued)

b. Detailed net sales per segment

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|----------------------------|------------------|------------------|------------------|
| S&E (Brazilian GAAP) | | | |
| Sugar | 1,810,005 | 900,424 | 781,809 |
| Ethanol | 936,473 | 586,633 | 612,397 |
| Cogeneration | 50,146 | 7,532 | - |
| Other | 86,311 | 66,529 | 88,367 |
| | <u>2,882,935</u> | <u>1,561,118</u> | <u>1,482,573</u> |
| CCL (Brazilian GAAP) | | | |
| Fuels | 5,056,969 | 1,443,537 | - |
| Lubricants | 339,752 | 92,969 | - |
| Other | 39,478 | 12,853 | - |
| | <u>5,436,199</u> | <u>1,549,359</u> | <u>-</u> |
| Rumo (Brazilian GAAP) | | | |
| Port lifting | 76,155 | 26,862 | 28,159 |
| Transports | 8,642 | - | - |
| | <u>84,797</u> | <u>26,862</u> | <u>28,159</u> |
| Adjustments / eliminations | (120,780) | (210,879) | (19,499) |
| Total (US GAAP) | <u>8,283,151</u> | <u>2,926,460</u> | <u>1,491,233</u> |

c. Net Sales by region

The percentage of net Sales by geographic área are as follows:

| | <u>2010</u> | <u>2009</u> |
|--------------------------------|---------------|---------------|
| Brazil | 86,4% | 73,6% |
| Europe | 9,2% | 18,5% |
| Latin American (except Brazil) | 2,8% | 5,0% |
| Middle east and Asia | 1,2% | 1,9% |
| North America | 0,3% | 0,9% |
| África | 0,1% | 0,1% |
| Total | <u>100,0%</u> | <u>100,0%</u> |

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Notes to the consolidated financial statements (Continued)
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24. Segment information (Continued)

d. Concentration of clients

S&E

There are several clients in this segment, one of which represents more than 10% of the segment net sales -- the SUCDEN Group (17% in 2010 and 14% in 2009).

CCL

In this segment there are no clients that represent more than 10% of the net sales.

e. Concentration of clients

Rumo

In 2010 33% of the segment net sales were generated from sales to the S&E segment (52% in 2009). There two other customers which represented more than 10% of the net sales of this segment. SUCDEN Group accounted for 16% of segment sales (14% in 2009) and the ED&F Man Group accounted for 14% (no sales in the previous year).

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