

**Unconsolidated and Consolidated  
Quarterly Financial Information**

**Cosan S.A. Indústria e Comércio**

September 30, 2010

*“A free translation into English of the original issued in Portuguese”*

# **COSAN S.A. INDÚSTRIA E COMÉRCIO**

## **UNCONSOLIDATED AND CONSOLIDATED QUARTERLY FINANCIAL INFORMATION**

September 30, 2010

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**A free translation from Portuguese into English of Special Review Report of Independent Auditors on Quarterly Financial Information prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil**

**SPECIAL REVIEW REPORT OF INDEPENDENT AUDITORS**

The Board of Directors and Shareholders of

**Cosan S.A. Indústria e Comércio**

1. We have performed a special review of the accompanying Quarterly Financial Information of Cosan S.A. Indústria e Comércio (parent company and consolidated) for the quarter ended September 30, 2010, including the balance sheets, statements of operations and cash flows, report on the Company's performance and explanatory notes, prepared under the management's responsibility.
2. Our review was conducted in accordance with the specific procedures determined by the Brazilian Institute of Independent Auditors (IBRACON) and the Federal Board of Accountancy (CFC), which comprised principally: (a) inquiries of and discussions with the management responsible for the Company's accounting, financial and operational areas about the criteria adopted for the preparation of the Quarterly Financial Information; and (b) review of information and subsequent events which have, or could have, significant effects on the Company's operations and financial position.
3. Based on our special review, we are not aware of any material modification that should be made to the Quarterly Financial Information referred to in the first paragraph for it to comply with specific standards established by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Financial Information.

4. As mentioned in Note 2, during the 2009, CVM approved several Pronouncements, Interpretations and Technical Orientations issued by the Committee of Accounting Pronouncements (“CPC”) effective 2010, which have changed accounting practices adopted in Brazil. As permitted by CVM Deliberation 603/09, management of the Company opted to present its Quarterly Financial Information using the same accounting standards adopted in Brazil until December 31, 2009, therefore, it did not apply the new pronouncements effective in 2010. As required by the CVM Deliberation, the Company disclosed this fact in Note 2 of the Quarterly Financial Information as well as the description of the main changes that can have an impact in its financial statements at the end of the year and the reasons that avoid the presentation of the estimated effects in shareholders’ equity and income, as required by the Deliberation.

São Paulo, November 10, 2010

ERNST & YOUNG TERCO  
Auditores Independentes S.S.  
CRC 2SP015199/O-6

Luiz Carlos Nannini  
Accountant CRC 1SP171638/O-7

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Unaudited balance sheets  
September 30, 2010 and 2009  
(In thousands of reais)

		Parent Company		Consolidated	
		September 30, 2010	June 30, 2010	September 30, 2010	June 30, 2010
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	Note 4	<b>45,798</b>	85,071	<b>988,367</b>	1,054,914
Restricted cash		<b>75,950</b>	51,274	<b>75,950</b>	51,274
Trade accounts receivable	Note 5	<b>58,116</b>	106,806	<b>760,031</b>	619,127
Derivative financial instruments	Note 20	<b>185,594</b>	148,767	<b>165,981</b>	144,507
Inventories	Note 6	<b>527,440</b>	380,238	<b>1,938,814</b>	1,433,659
Advances to suppliers		<b>78,730</b>	84,266	<b>293,879</b>	323,472
Related parties	Note 7	<b>559,314</b>	530,338	<b>21,216</b>	49,883
Deferred income and social contribution taxes	Note 12.b	<b>12,522</b>	12,695	<b>94,512</b>	94,581
Recoverable taxes		<b>124,945</b>	117,968	<b>396,386</b>	355,375
Dividends		<b>2,204</b>	69,329	-	-
Other assets		<b>11,768</b>	10,945	<b>71,935</b>	68,329
		<b>1,682,381</b>	1,597,697	<b>4,807,071</b>	4,195,121
<b>Noncurrent assets</b>					
<b>Long-term receivables</b>					
Accounts receivable from federal government	Note 15	-	-	<b>339,232</b>	336,273
CTNs-Restricted Brazilian Treasury Bills	Note 13	<b>34,705</b>	33,040	<b>228,513</b>	217,550
Deferred income and social contribution taxes	Note 12.b	<b>177,292</b>	139,612	<b>576,128</b>	521,474
Advances to suppliers		<b>20,062</b>	13,301	<b>65,142</b>	52,494
Related parties	Note 7	<b>681</b>	447	<b>77,845</b>	79,612
Recoverable Taxes		-	-	<b>36,567</b>	38,812
Other assets		<b>5,049</b>	5,469	<b>188,605</b>	177,873
<b>Permanent assets</b>					
Investments	Note 8	<b>6,464,172</b>	6,204,589	<b>207,585</b>	193,625
Property, plant and equipment	Note 9	<b>855,163</b>	841,064	<b>5,878,400</b>	5,836,039
Intangible assets	Note 10	<b>395,265</b>	399,400	<b>2,931,775</b>	2,921,239
		<b>7,952,389</b>	7,636,922	<b>10,529,792</b>	10,374,991
<b>Total assets</b>		<b>9,634,770</b>	9,234,619	<b>15,336,863</b>	14,570,112

		Parent Company		Consolidated	
		September 30, 2010	June 30, 2010	September 30, 2010	June 30, 2010
Liabilities					
Current liabilities					
Loans and financing	Note 13	671,878	465,333	1,058,598	860,304
Derivative financial instruments	Note 20	96,123	37,437	96,123	37,437
Trade accounts payable		197,970	156,544	832,087	716,254
Salaries payable		71,925	77,574	225,489	219,887
Taxes and social contributions payable	Note 11	47,230	30,886	239,154	197,350
Dividends payable	Note 16.b	7,038	116,569	7,038	116,569
Related parties	Note 7	155,672	147,092	65,960	120,073
Other liabilities		51,280	58,945	198,362	189,395
		<u>1,299,116</u>	<u>1,090,380</u>	<u>2,722,811</u>	<u>2,457,269</u>
Noncurrent liabilities					
Loans and financing	Note 13	1,612,915	1,630,756	5,310,811	5,322,684
Taxes and social contributions payable	Note 11	88,184	87,803	606,302	597,862
Provision for judicial demands	Note 14	82,763	74,463	469,297	456,083
Related parties	Note 7	920,798	979,115	-	-
Actuarial liability	Note 24	-	-	57,774	59,774
Deferred income and social contribution taxes	Note 12.b	245,003	197,862	425,496	341,294
Other liabilities		38,417	35,318	150,317	146,497
		<u>2,988,080</u>	<u>3,005,317</u>	<u>7,019,997</u>	<u>6,924,194</u>
Minority shareholders' interest			-	246,481	49,727
Shareholders' equity					
Capital	Note 16	4,691,135	4,687,826	4,691,135	4,687,826
Capital reserves		51,484	51,136	51,484	51,136
Income reserves		290,817	374,248	290,817	374,248
Other comprehensive income		(134,307)	16,993	(134,307)	16,993
Accumulated income		448,445	8,719	448,445	8,719
		<u>5,347,574</u>	<u>5,138,922</u>	<u>5,347,574</u>	<u>5,138,922</u>
Total liabilities and shareholders' equity		<u>9,634,770</u>	<u>9,234,619</u>	<u>15,336,863</u>	<u>14,570,112</u>

The notes are an integral part of the financial statements.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Unaudited statement of operations  
 Quarters ended September 30, 2010 and 2009  
 (In thousands of reais, except earnings per share)

	Parent Company		Consolidated	
	September 30, 2010	September 30, 2009	September, 2010	September 30, 2009
Gross operating sales				
Sales of goods and services	<b>627,870</b>	560,989	<b>5,199,751</b>	3,907,236
Taxes and sales deductions	<b>(39,522)</b>	(21,482)	<b>(483,664)</b>	(331,900)
Net operating sales	<b>588,348</b>	539,507	<b>4,716,087</b>	3,575,336
Cost of goods sold and services rendered	<b>(418,691)</b>	(443,386)	<b>(3,987,623)</b>	(3,051,504)
Gross profit	<b>169,657</b>	96,121	<b>728,464</b>	523,832
Operating income (expenses)				
Selling expenses	<b>(47,244)</b>	(32,919)	<b>(264,617)</b>	(211,317)
General and administrative expenses	<b>(69,908)</b>	(62,153)	<b>(137,500)</b>	(116,190)
Financial, net	Note 18 <b>232,179</b>	43,629	<b>(80,163)</b>	78,889
Income (loss) on equity investments	Note 8 <b>277,212</b>	150,551	<b>(3,751)</b>	29
Other operating income (expenses), net	Note 19 <b>(34,542)</b>	3,169	<b>183,943</b>	2,520
Operating income before income and social contribution taxes	<b>527,354</b>	198,398	<b>586,702</b>	277,763
Income and social contribution taxes				
Current	Note 12.a -	-	<b>(21,829)</b>	(27,892)
Deferred	Note 12.a <b>(87,628)</b>	(25,031)	<b>(105,321)</b>	(75,925)
	<b>(87,628)</b>	(25,031)	<b>(127,150)</b>	(103,817)
Net income before minority interest	<b>439,726</b>	173,367	<b>459,552</b>	173,946
Minority interest	-	-	<b>(19,826)</b>	(579)
Net income for the period	<b>439,726</b>	173,367	<b>439,726</b>	173,367
Earnings per share – in Reais	<b>1,08105</b>	0,46546		

The notes are an integral part of the financial statements.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Unaudited statement of operations  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except earnings per share)

	Parent Company		Consolidated	
	September 30, 2010	September 30, 2009	September, 2010	September 30, 2009
Gross operating sales				
Sales of goods and services	1,219,941	1,226,985	9,569,127	7,750,741
Taxes and sales deductions	(67,787)	(58,210)	(853,418)	(609,302)
Net operating sales	1,152,154	1,168,775	8,715,709	7,141,439
Cost of goods sold and services rendered	(858,544)	(986,056)	(7,480,682)	(6,249,922)
Gross profit	293,610	182,719	1,235,027	891,517
Operating income (expenses)				
Selling expenses	(77,263)	(80,387)	(479,827)	(420,887)
General and administrative expenses	(121,734)	(106,611)	(257,705)	(205,475)
Financial, net	128,342	386,938	(59,177)	512,322
Income (loss) on equity investments	329,767	259,543	(4,102)	(3,525)
Goodwill realized through sale	-	-	-	(85,589)
Other operating income (expenses), net	(39,159)	6,784	181,614	75,004
	219,953	466,267	(619,197)	(128,150)
Operating income (loss) before income and social contribution taxes	513,563	648,986	615,830	763,367
Income and social contribution taxes				
Current	-	-	(33,535)	(51,204)
Deferred	(65,118)	(138,350)	(112,122)	(210,512)
	(65,118)	(138,350)	(145,657)	(261,716)
Net income before minority interest	448,445	510,636	470,173	501,651
Minority interest	-	-	(21,728)	8,985
Net income for the period	448,445	510,636	448,445	510,636
Earnings per share – in Reais	1,10248	1,37096		

The notes are an integral part of the financial statements.



## COSAN S.A. INDÚSTRIA E COMÉRCIO

Unaudited statement of changes in shareholders' equity  
 Quarter ended September 30, 2010  
 (In thousands of reais)

	Unconsolidated and Consolidated					
	Capital	Capital reserve	Income reserve	Retained earnings / (accumulated losses)	Other comprehensive	Total
Balance on June 30, 2010	4,687,826	51,136	374,248	8,719	16,993	5,138,922
Capital increase	3,309	-	-	-	-	3,309
Recorded granted options	-	348	-	-	-	348
Other comprehensive income	-	-	-	-	(151,300)	(151,300)
Dividends	-	-	(83,431)	-	-	(83,431)
Net income in the period	-	-	-	439,726	-	439,726
Balance on September 30, 2010	<u>4,691,135</u>	<u>51,484</u>	<u>290,817</u>	<u>448,445</u>	<u>(134,307)</u>	<u>5,347,574</u>

The notes are an integral part of the financial statements.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Unaudited statement of changes in shareholders' equity  
 Periods of six months ended September 30, 2010 and 2009  
 (In thousands of reais)

	Unconsolidated and Consolidated					Total
	Capital	Capital reserve	Income reserve	Retained earnings / (accumulated losses)	Other comprehensive	
Balance on March 31, 2010	4,687,826	50,626	374,248	-	(2,944)	5,109,756
Capital increase	3,309	-	-	-	-	3,309
Recorded granted options	-	858	-	-	-	858
Other comprehensive income	-	-	-	-	(131,363)	(131,363)
Dividends	-	-	(83,431)	-	-	(83,431)
Net income in the period	-	-	-	448,445	-	448,445
Balance on September 30, 2010	<b>4,691,135</b>	<b>51,484</b>	<b>290,817</b>	<b>448,445</b>	<b>(134,307)</b>	<b>5,347,574</b>

The notes are an integral part of the financial statements.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Unaudited statements of cash flows  
 Quarters ended September 30, 2010 and 2009  
 (In thousands of reais)

	Parent Company		Consolidated	
	September 30, 2010	September 30, 2009	September, 2010	September 30, 2009
Cash flows from operating activities				
Net income for the period	<b>439,726</b>	173,367	<b>439,726</b>	173,367
Adjustments to reconcile net income for the period to cash provided by operating activities				
Depreciation and amortization	<b>73,140</b>	54,259	<b>286,427</b>	156,805
Losses (income) on equity investments	<b>(277,212)</b>	(150,551)	<b>3,751</b>	(29)
Loss (income) from disposal of permanent assets	<b>1,768</b>	124	<b>(11,830)</b>	831
Deferred income and social contribution taxes	<b>87,628</b>	25,031	<b>105,321</b>	75,925
Set-up (reversal) of provision for legal claims, net	<b>10,371</b>	(2,089)	<b>23,632</b>	492
Minority interest	-	-	<b>19,826</b>	579
Recorded granted options	<b>348</b>	5,064	<b>348</b>	5,064
Interest, monetary and exchange variation, net	<b>(100,714)</b>	(87,392)	<b>(55,986)</b>	(83,988)
Capital gain	-	-	<b>(223,074)</b>	-
Other	<b>(4,084)</b>	(5,535)	<b>(16,568)</b>	(8,081)
	<b>230,971</b>	12,278	<b>571,573</b>	320,965
Changes in assets and liabilities				
Trade accounts receivables	<b>46,400</b>	28,011	<b>(153,378)</b>	(24,861)
Inventories	<b>(128,292)</b>	(123,807)	<b>(425,706)</b>	(328,087)
Recoverable taxes	<b>(6,977)</b>	(18,920)	<b>(38,766)</b>	(43,389)
Advances to suppliers	<b>(1,225)</b>	(19,079)	<b>16,945</b>	19,687
Suppliers	<b>41,426</b>	40,204	<b>115,833</b>	49,751
Salaries payable	<b>(5,649)</b>	8,804	<b>5,602</b>	28,601
Taxes payable	<b>14,348</b>	2,690	<b>34,248</b>	3,511
Derivative financial instruments and restricted cash	<b>(232,210)</b>	(3,704)	<b>(214,568)</b>	(3,733)
Other assets and liabilities, net	<b>12,396</b>	(1,698)	<b>(65,439)</b>	(13,779)
	<b>(259,783)</b>	(87,499)	<b>(725,229)</b>	(312,299)
Net cash generated (used) from operating activities	<b>(28,812)</b>	(75,221)	<b>(153,656)</b>	8,666
Cash flows from investments activities				
Acquisition of investments, net of cash received and goodwill	<b>(12,720)</b>	(15,344)	<b>(12,720)</b>	(16,037)
Addition to property, plant and equipment, software and other intangible assets	<b>(100,552)</b>	(30,312)	<b>(398,910)</b>	(359,095)
Cash from the sale of other permanent assets	<b>97</b>	23	<b>17,234</b>	1,450
Dividends receivables	<b>100,100</b>	-	-	-
Net cash used in investment activities	<b>(13,075)</b>	(45,633)	<b>(394,396)</b>	(386,810)

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Unaudited statements of cash flows--Continued  
 Quarters ended September 30, 2010 and 2009  
 (In thousands of reais)

	Parent Company		Consolidated	
	September 30, 2010	September 30, 2009	September, 2010	September 30, 2009
<b>Cash flows from financing activities</b>				
Loans and financing funded	306,981	49,555	495,879	1,045,760
Amortization of principal and interest on loans and financings	(56,641)	(119,489)	(224,719)	(317,836)
Related parties	(58,071)	59,106	-	(335,427)
Capital increase	3,309	1,374	403,309	1,374
Dividends payments	(192,964)	-	(192,964)	-
Net cash generated (used) by financing activities	2,614	(9,454)	481,505	393,871
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(39,273)</b>	<b>(130,308)</b>	<b>(66,547)</b>	<b>15,727</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>85,071</b>	<b>307,907</b>	<b>1,054,914</b>	<b>932,920</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>45,798</b>	<b>177,599</b>	<b>988,367</b>	<b>948,647</b>

The notes are an integral part of the financial statements.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Unaudited statements of cash flows  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais)

	Parent Company		Consolidated	
	September 30, 2010	September 30, 2009	September, 2010	September 30, 2009
<b>Cash flows from operating activities</b>				
Net income for the period	448,445	510,636	448,445	510,636
Adjustments to reconcile net income for the period to cash provided by operating activities				
Depreciation and amortization	129,390	116,816	475,618	326,722
Losses (income) on equity investments	(329,767)	(259,543)	4,102	3,525
Loss (income) from disposal of permanent assets	1,699	(127)	(8,718)	(102,337)
Goodwill amortization and realized through sale	-	-	-	85,589
Deferred income and social contribution taxes	65,118	138,350	112,122	210,512
Recording of provision for legal claims	13,859	(1,497)	34,288	3,382
Minority interest	-	-	21,728	(8,985)
Recorded granted options	858	8,543	858	8,543
Interest, monetary and exchange variation, net	(15,140)	(331,001)	106,585	(371,797)
Capital Gain	-	-	(223,074)	-
Other	(1,213)	(10,637)	2,346	(1,499)
	<b>313,249</b>	<b>171,540</b>	<b>974,300</b>	<b>664,291</b>
Changes in assets and liabilities				
Trade accounts receivables	163,095	4,970	(121)	85,484
Inventories	(220,469)	(86,471)	(710,328)	(160,374)
Recoverable taxes	(6,958)	(27,312)	(60,071)	(32,995)
Advances to suppliers	(24,677)	(42,098)	(59,728)	(56,043)
Suppliers	81,607	79,275	262,688	96,717
Salaries payable	23,166	31,700	83,905	69,955
Taxes payable	686	5,942	5,209	(53,612)
Derivative financial instruments and restricted cash	(158,304)	(66,238)	(143,865)	(63,768)
Other assets and liabilities, net	(28,772)	(5,938)	(6,363)	(6,768)
	<b>(170,626)</b>	<b>(106,170)</b>	<b>(628,674)</b>	<b>(121,404)</b>
Net cash generated from operating activities	<b>142,623</b>	<b>65,370</b>	<b>345,626</b>	<b>542,887</b>
<b>Cash flows from investments activities</b>				
Acquisition of investments, net of cash received and goodwill	(12,720)	(19,244)	(16,467)	42,502
Addition to property, plant and equipment, software and other intangible assets	(212,819)	(85,450)	(999,314)	(792,841)
Cash from the sale of other permanent assets	374	309	17,906	119,181
Dividends receivables	100,100	-	-	-
Net cash used in investment activities	<b>(125,065)</b>	<b>(104,385)</b>	<b>(997,875)</b>	<b>(631,158)</b>

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Unaudited statements of cash flows--Continued  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais)

	Parent Company		Consolidated	
	September 30, 2010	September 30, 2009	September, 2010	September 30, 2009
<b>Cash flows from financing activities</b>				
Loans and financing funded	417,090	52,239	1,138,273	1,218,659
Amortization of principal and interest on loans and financing	(369,124)	(180,906)	(786,368)	(445,685)
Related parties	(115,996)	(44,819)	-	(456,786)
Capital increase	3,309	1,374	403,309	1,374
Dividends payments	(192,964)	-	(192,964)	-
Net cash generated (used) by financing activities	(257,685)	(172,112)	562,250	317,562
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(240,127)</b>	<b>(211,127)</b>	<b>(89,999)</b>	<b>229,291</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>285,925</b>	<b>388,726</b>	<b>1,078,366</b>	<b>719,356</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>45,798</b>	<b>177,599</b>	<b>988,367</b>	<b>948,647</b>

The notes are an integral part of the financial statements.

## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

### **1. Operations**

Cosan S.A. Indústria e Comércio ("Company" or "Cosan"), with principal place of business in the city of Barra Bonita, São Paulo, is a publicly-held Company, controlled by Cosan Limited, headquartered in Ilhas Bermudas, which holds 62.2% of its capital.

The primary activities of Cosan, and its subsidiaries are (i) the manufacturing and trading of sugar and ethanol, as well as energy cogeneration from sugarcane bagasse, (ii) the distribution of fuel and lubricants, and (iii) logistics transportation, warehousing and port lifting services.

The Company has 23 producing units, located in e São Paulo, Goiás and Mato Grosso do Sul States, with a nominal capacity of milling 60 million tons of sugarcane per year, producing approximately 4.2 million tons of varied qualities of raw and refined sugar, and approximately 2.3 billion liters of anhydrous and hydrated ethanol.

The Company, through its subsidiary Cosan Combustíveis e Lubrificantes S.A. ("Cosan CL"), operates fuel and lubricant distribution units and owns a lubricant plant located in the City of Rio de Janeiro, in the State of Rio de Janeiro, which ranks the Company among the 4 largest fuel distribution companies in Brazil. Cosan CL serves over 1,700 fuel stations throughout the Brazilian territory by selling about 5 billion liters of fuel, 93 million cubic meters of GNV and 135 thousand cubic meters of lubricants per annum. The Company, through Cosan CL, has expanded its business model and has become the first integrated renewable energy company, operating from the planting of sugarcane to the distribution and sale of by derived fuels or not in the retail market.

Additionally, the Company provides logistics transportation, warehousing and port lifting services in the State of São Paulo through its Santos-based indirect subsidiary Rumo Logística S.A..

#### **Joint venture with Shell International Petroleum Company ("Shell")**

On August 25, 2010, the Company has announced the closing of the negotiation process with Shell and, the Company and Shell together has signed final agreements to provide for the creation of a proposed Joint Venture ("Joint Venture" or "JV") involving certain assets in their respective net equity.

# COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

## 1. Operations (Continued)

### Joint venture with Shell International Petroleum Company (“Shell”) (continued)

The closing of the transaction is subject to normal closing terms and conditions, including the obtaining of necessary governmental approvals and the lack of a material adverse change in each party, in addition to other contractual matters.

#### Assets contributed by Cosan and Shell (unaudited)

Cosan will transfer a part of its assets and liabilities to the JV, including those indicated below:

- All sugar and ethanol plants;
- All energy cogeneration projects, including 8 future cogeneration plants, which were not provided for in the Memorandum of Understanding;
- All operations in the fuel distribution and sales segment;
- All ethanol logistics assets;
- Net indebtedness in the approximate amount of US\$2.5 billion (approximately R\$4.2 billion as of September 30, 2010) and working capital liabilities during the ordinary course of business; and,
- Additional indebtedness in the approximate amount of R\$500,000 with BNDES, currently used in sugar- and ethanol-driven investments, taken as of March 31, 2010 until the closing of the transaction.

In turn, Shell will transfer part of its assets to JV, including the following:

- All fuel distribution and sales operations of worldwide Shell in the Brazilian market;
- All aviation fuel distribution operations in Brazil;
- Its stake in two companies (logen and Codexis), focused on the biomass fuel research & development, including ethanol; and,
- A contribution of capital to JV in cash in the approximate amount of US\$ 1.6 billion (approximately R\$2.7 billion as of September 30, 2010), consisting of: (i) payments in cash in the amount of US\$1.3 billion within a period of two years counted from the closing date of the transaction, equivalent to US\$ 1.6 billion, net of the payments to be made to Shell and its affiliates relating to the trademark license and other supplementary agreements for a period of 10 years, and (ii) other payments and prepayments in cash, in the approximate amount of US\$325 million, to the JV or on the JV’s behalf, relating to supplementary agreements entered into by and between Shell and its affiliates and the JV.



## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

### **1. Operations (Continued)**

#### Cosan's and Shell's assets not contributed to the JV (unaudited)

Cosan shall retain and, therefore, not transfer to the JV:

- The lubricant production and sales segments;
- The logistics segments, which is managed by its indirect subsidiary Rumo Logística S.A.;
- The land prospection and development segment, which is managed by its affiliate Radar Propriedades Agrícolas S.A.;
- The retail brands, e.g. "Da Barra" and "União";
- The sugar retail brands which, at Cosan's discretion, may be used in the sugar retail segment to be operated by Cosan (provided that upon negotiation and agreement with Shell prior to the closing of the transaction) or licensed to JV, at market price; and,
- The right to conduct its own sugar sales activities worldwide.

Shell, in turn, shall not transfer to the proposed JV:

- The chemical product, gas & energia and E&P (Energy and Power) segments in Brazil, lubricant segment, including manufacturing and marketing; and,
- The "Shell" brand which will be however licensed to the proposed JV for use in the fuel distribution operation, including in the retail segment, in Brazil, based upon agreed terms and conditions.

#### Shareholding Composition of the JV (unaudited)

The proposed JV shall be composed of three separate entities:

(1) A Sugar & Ethanol company to produce sugar and ethanol and be in charge of cogeneration activities, among other activities. Cosan and Shell will each hold 50% interest in such entity, in the form of common shares. Moreover, Cosan will hold 51% of the JV's voting shares, while Shell will hold 49%;

(2) A Fuel Distribution company to supply, distribute and sell fuel in Brazil. The resulting company will own a proprietary distribution network with approximately 4,500 gas stations throughout the Brazilian territory. Cosan and Shell will also each hold 50% interest in such entity. Moreover, Cosan will hold 49% of such entity's voting shares, while Shell will hold 51%;

(3) A Management company to be the JV's primary presentation vehicle in the various markets and in charge of the development of a single corporate vision. Cosan and Shell will each hold 50% interest and voting shares in such entity.

## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

### **2. Basis of preparation and presentation of the quarterly financial statements**

The Company's quarterly financial statements were prepared based on the accounting standards adopted in Brazil and on the rules issued by the Brazilian Securities and Exchange Commission ("CVM"), observing the accounting guidelines set forth in the corporate law (Law N° 6404/76) which include the new provisions introduced, amended and revoked by Laws 11638/07 and 11941/09, as well as standards, guidelines and interpretations issued by the Accounting Standards Board ("CPC"). These quarterly financial statements were approved by the Company's Board of Directors on November 4, 2010

In 2009, the CPC has issued and CVM has approved various Technical Pronouncements, Interpretations and Instructions, with mandatory adoption only for the years beginning January 1, 2010, subject to the re-presentation of quarterly information for the comparative period by the Companies.

CVM, through Resolution 603, of November 10, 2009, authorized the publicly-held companies to adopt in advance these pronouncements for the year ended December 31, 2009, provided that these pronouncements were fully adopted.

Moreover, CVM also authorized the presentation of the quarterly information in 2010 in accordance with the accounting practices effective on December 31, 2009, upon disclosure of a note to the financial statements describing the main changes which could affect the financial statements on the year end, as well as estimates as regards to the possible effects on the shareholders' equity and statement of income or clarifications for the lack of such estimates. In the case this option is adopted, the companies must present again the ITRs in 2010, as compared to 2009, also adjusted in accordance with the rules for 2010, at least as regards to the presentation of the financial statements for the year beginning January 2010.

## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

### **2. Basis of preparation and presentation of the quarterly financial statements (Continued)**

The Company decided to present its information for the first and second quarters of 2010 in accordance with the rules effective up to December 31, 2009, considering that the adjustments according to the international accounting standards require review of flows, internal controls, systems and other material aspects, which are still in progress and, therefore, the Company is not able to currently present accurate estimates related to the possible effects. However, the Company, at its best discretion, evaluated the technical pronouncements already issued and concluded that, except for the technical pronouncements referred to below, the other technical pronouncements will not adversely affect the Company's equity and financial condition, on an individual and consolidated basis, taking into consideration the transactions up to the date this quarterly information was disclosed:

- CPC 15 – Business combinations
- CPC 16 – Inventories
- CPC 20 – Borrowing costs
- CPC 22 – Segment reporting
- CPC 24 – Subsequent event
- CPC 26 – Presentation of financial statements
- CPC 27 – Property, plant and equipment
- CPC 29 – Biological assets and agricultural products
- CPC 37 – First time adoption of International Accounting Standards and CPC 43 Initial adoption of CPC standards 15 through 40
- CPC 38 – Financial Instruments: Recognition and Measurement
- CPC 39 – Financial Instruments: Presentation
- CPC 40 – Financial Instruments: Disclosure

## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

### **3. Summary of Significant Accounting Policies**

The quarterly information has been prepared in accordance with the principles, practices and criteria in line with those adopted in preparing the financial statements as of March 31, 2010 and quarterly information as of June 30, 2010, and should be read together with such information.

The Company reclassified certain comparative balances (parent company) for better presentation of the aforesaid quarterly information.

#### Derivative financial instruments (hedge)

In the quarter and six-month period ended September 30, 2010, the Company has adopted the practice of accounting for hedge, called as hedge accounting, in conformity with the provisions introduced by the OCPC Technical Instruction 03, of November 19, 2009.

In general, derivative financial instruments are stated at fair value as a contra-entry to net income.

Certain derivative financial instruments may be designated as hedge accounting based on three types of transactions: (i) cash flow hedge, (ii) fair value hedge or (iii) net investment hedge in a foreign transaction.

#### Cash flow hedge

In respect of the cash flow hedge, the effective portion of the gain or loss from the hedge instrument which is considered as an effective hedge is directly recognized in shareholders' equity, in line item Adjustment to Shareholders' Equity. The ineffective portion of the gain or loss from the hedge instrument is directly recognized in net income (loss) for the period as operating income or expense.

#### Fair value hedge and net foreign investment hedge

The Company does not have any derivative financial instruments designated in these types of transactions.

#### Other financial instruments not classified as hedge instruments

Derivative instruments not classified in the definition of hedge accounting are recorded at fair value against net income (loss).

The effects resulting from the adoption of the hedge accounting are described in Note 20 to the financial statements.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

### 3. Summary of Significant Accounting Policies (Continued)

#### Consolidation of quarterly information

The consolidated quarterly information was prepared in accordance with the basic consolidation principles, including the following main procedures: (i) elimination of asset and liability accounts amongst the consolidated companies; (ii) elimination of investments, proportionally to the parent company's interest in the subsidiaries' shareholders' equity; (iii) elimination of revenues and expenses resulting from the businesses carried out amongst the consolidated companies; and (iv) elimination of unrealized revenues arising from consolidated intercompany transactions, as necessary.

The main consolidated companies are listed below:

	<u>Direct and indirect interest as of</u>	
	<u>09/30/10</u>	<u>06/30/10</u>
Administração de Participações Aguassanta Ltda.	91.5%	91.5%
Cosan S.A Açúcar e Álcool	99.6%	99.6%
Águas da Ponte Alta S.A.	99.6%	99.6%
Vale da Ponte Alta S.A.	99.6%	99.6%
Agrícola Ponte Alta S.A.	99.6%	99.6%
Cosan Centroeste S.A. Açúcar e Álcool	99.6%	99.6%
Barra Bioenergia S.A.	99.6%	99.6%
DaBarra Alimentos S.A.	99.6%	99.6%
Bonfim Nova Tamoio – BNT Agrícola Ltda.	99.6%	99.6%
Benálcool Açúcar e Álcool S.A.	99.6%	99.6%
Barrapar Participações Ltda.	99.6%	99.6%
Aliança Indústria e Comercio de açúcar e Álcool S.A.	99.6%	99.6%
Agrobio Investimentos e Participações S.A.	99.6%	99.6%
Bioinvestments Negócios e Participações S.A.	99.6%	99.6%
Proud Participações S.A.	99.9%	99.9%
Cosan Distribuidora de Combustíveis Ltda.	99.9%	99.9%
Cosan S.A. Bioenergia	100.0%	100.0%
Cosan International Universal Corporation	100.0%	100.0%
Cosan Finance Limited	100.0%	100.0%
Grançucar S.A. Refinadora de Açúcar	100.0%	100.0%
Cosan Combustíveis e Lubrificantes S.A.	100.0%	100.0%
Copsapar Participações S.A.	90.0%	90.0%
Novo Rumo Logística S.A. (1)	92.9%	92.9%
Rumo Logística S.A. (1)	69.7%	92.9%
Cosan Operadora Portuária S.A. (1)	69.7%	92.9%
Teaçu Armazéns Gerais S.A. (1)	69.7%	92.9%
Pasadena Empreendimentos e Participações S.A.	100.0%	100.0%
Teas Terminal Exportador de Álcool de Santos S.A.	66.7%	66.7%
Cosan Alimentos S.A.	100.0%	100.0%

(1) Reduction of percentage of ownership interest in Rumo Logística S.A. by virtue of contribution of capital made by noncontrolling shareholders (notes 8 and 19).

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

### 4. Cash and cash equivalents

	Parent company		Consolidated	
	09/30/10	06/30/10	09/30/10	06/30/10
Cash exposure	143	140	256	411
Overnight investments	-	-	23,936	50,900
Banks - current account	4,283	2,262	66,920	72,940
Amounts pending foreign exchange closing	2,577	44,172	5,182	44,868
Financial investments	38,795	38,497	892,073	885,795
	<u>45,798</u>	<u>85,071</u>	<u>988,367</u>	<u>1,054,914</u>

The balance of Overnight investments refers to financial investments in US dollars made with highly-rated banks, is remunerated according to the Federal Funds rate and may be promptly redeemed.

Amounts pending foreign exchange closing refer to receipts of funds in foreign currency from customers located abroad, whose foreign exchange closing with the applicable financial institutions had not occurred until September 30, 2010.

The balances of financial investments mainly correspond to investments in Bank Deposit Certificates - CDB, allowing immediate redemption, are made with highly-rated banks and accrue in average 100.9% of the Interbank Deposit Certificate - CDI.

### 5. Trade Accounts Receivable

	Parent company		Consolidated	
	09/30/10	06/30/10	09/30/10	06/30/10
Domestic	42,603	28,947	626,583	547,975
International	16,594	78,843	189,195	127,370
(-) Allowance for doubtful accounts	(1,081)	(984)	(55,747)	(56,218)
	<u>58,116</u>	<u>106,806</u>	<u>760,031</u>	<u>619,127</u>

### 6. Inventories

	Parent company		Consolidated	
	09/30/10	06/30/10	09/30/10	06/30/10
Finished goods:				
Sugar	222,835	87,113	569,516	298,889
Ethanol	138,506	98,233	561,625	353,665
Fuels and lubricants	-	-	301,566	241,168
Harvest costs	108,375	134,654	312,051	367,319
Supplies and other	65,363	71,204	223,736	218,110
(-) Provision for inventory realization and obsolescence	(7,639)	(10,966)	(29,680)	(45,492)
	<u>527,440</u>	<u>380,238</u>	<u>1,938,814</u>	<u>1,433,659</u>

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

### 7. Related parties

	Asset			
	Parent company		Consolidated	
	09/30/10	06/30/10	09/30/10	06/30/10
Cosan S,A, Açúcar e Alcool	546,164	448,868	-	-
Rezende Barbosa S,A, Administração e Participações	-	-	85,404	86,944
Cosan Operadora Portuária S,A,	-	46,270	-	-
Vertical UK LLP	8,970	30,737	13,094	32,490
Other	4,861	4,910	563	10,061
	<u>559,995</u>	<u>530,785</u>	<u>99,061</u>	<u>129,495</u>
Current	<u>(559,314)</u>	<u>(530,338)</u>	<u>(21,216)</u>	<u>(49,883)</u>
Noncurrent	<u>681</u>	<u>447</u>	<u>77,845</u>	<u>79,612</u>

	Liability			
	Parent company		Consolidated	
	09/30/10	06/30/10	09/30/10	06/30/10
Cosan Finance Limited	658,099	688,022	-	-
CCL Finance Limited	302,500	329,072	-	-
Rezende Barbosa S,A, Administração e Participações	-	-	59,773	109,798
Cosan Combustíveis e Lubrificantes S,A,	55,758	63,115	-	-
Logisport Armazéns Gerais S,A,	-	-	3,748	7,496
Other	60,113	45,998	2,439	2,779
	<u>1,076,470</u>	<u>1,126,207</u>	<u>65,960</u>	<u>120,073</u>
Current	<u>(155,672)</u>	<u>(147,092)</u>	<u>(65,960)</u>	<u>(120,073)</u>
Noncurrent	<u>920,798</u>	<u>979,115</u>	<u>-</u>	<u>-</u>

	Parent company			
	07/01/10 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
<b>Asset balance transactions</b>				
Fund remittances, net of receipts and credit assignments	(255,907)	401,469	(50,070)	677,288
Capital increase in subsidiary through conversion of credits	-	-	(32,752)	-
Sales of finished products, inputs and services (1)	348,369	22,594	388,359	64,011
Purchases of finished products, inputs and services (1)	(89,595)	(189,282)	(258,339)	(363,892)
Sales of finished products, inputs and services to affiliate and related companies	25,489	24,412	56,408	55,403
Financial income	854	6,272	5,006	8,049
	<u>29,210</u>	<u>265,465</u>	<u>108,612</u>	<u>440,859</u>
<b>Liability balance transactions</b>				
Fund raising (payments)	(4,066)	122,699	30,493	69,839
Export per-payment financing	-	321,755	-	321,755
Financial income	(45,671)	(59,874)	(14,815)	(180,863)
	<u>(49,737)</u>	<u>258,930</u>	<u>15,678</u>	<u>210,731</u>

(1) It consists of operations carried out between Cosan's direct and indirect subsidiaries included in the consolidation.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### 7. Related parties (Continued)

	Consolidated			
	07/01/10 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
<b>Asset balance transactions</b>				
Cash received due to the sale of finished products, services performed, and assets held	(76,438)	(91,330)	(129,715)	(167,015)
Sales of finished products, inputs and services to affiliate and related companies	46,004	75,476	122,506	144,535
Merged assets	-	-	-	138,682
	<u>(30,434)</u>	<u>(15,854)</u>	<u>(7,209)</u>	<u>116,202</u>
<b>Liability balance transactions</b>				
Payments due to purchase of sugarcane raw materials from related companies, net of cash received	(186,080)	(2,861)	(194,165)	(6,910)
Purchase of sugarcane raw materials from related company	131,967	-	245,709	-
Payment of debt assumption (Floating Rate Notes)	-	(322,333)	-	(322,333)
Financial income	-	(16,973)	-	(77,248)
	<u>(54,113)</u>	<u>(342,167)</u>	<u>51,544</u>	<u>(406,491)</u>

The purchase and sale transactions are carried out at prices and under conditions similar to those existing in the market.

The credit balance of Cosan S.A Açúcar e Álcool as of September 30, 2010, corresponds to funds remitted to its indirect subsidiary Cosan Centroeste S.A., which remittances were made for account and at the order of such subsidiary and which bear no interest.

The balance payable to Rezende Barbosa S.A. Administração e Participações ("Rezende Barbosa") refers to the purchase of sugarcane raw materials to be settled during the current year. Moreover, the balance receivable refers to the credits assumed by Rezende Barbosa, in connection with the acquisition of Cosan Alimentos.

The receivable of Cosan Operadora Portuária S.A. refers to advances for payment of freight, which bear no interest.

The receivable of associated company Vertical UK LLP refers to the sale of ethanol, the receipt period of which is 30 days.

The balance payable to Cosan Finance Limited refers to future sugar export prepayment loan agreements to be settled in 2014, 2015 and 2016, which are subject to the US dollar exchange variation and Libor annual interest rate, plus spread from 4.75% to 4.85% per year.

The balance payable to CCL Finance Limited refers to prepayment contracts for future sugar exports to be settled in 2014, which is subject to US Dollar exchange variation and annual interest of 9.5%.



## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

### **7. Related parties (Continued)**

The balance payable to Cosan CL refers to financial funds remitted to the Company, without interest.

The balance payable to Logisport Armazéns Gerais S.A. refers to the outstanding payment of interest acquired.

At September 30, 2010, the Company and its subsidiary Cosan Açúcar e Álcool were lessees of approximately 68.000 hectares of related companies land (unaudited information). Moreover, the Company acquired in the three- and six-month periods ended September 30, 2010 2,471 and 4,891 thousand tones of sugarcane, respectively, from Rezende Barbosa (unaudited information). 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.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

### 8. Investments

	Parent company									
	Investees				Investor					
	Shareholders' equity		Income (loss)		Interest %		Investments		Equity in subsidiary	
	09/30/10	04/01/10 to 09/30/10	09/30/10	06/30/10	09/30/10	06/30/10	07/01/10 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
Administração de Participações Aguassanta Ltda.	139,489	(1,904)	91.5	91.5	127,630	129,372	(1,742)	2,656	(1,752)	3,806
Cosan S.A. Açúcar e Alcool	2,848,253	(38,735)	95.1	95.1	2,708,033	2,744,861	(36,828)	56,460	(36,935)	80,953
Copsapar Participações S.A.	386,712	175,856	90.0	90.0	348,040	189,770	158,270	2,871	174,198	(8,902)
Novo Rumo Logística S.A.	542,305	247,058	28.8	28.8	156,292	85,090	71,202	1,292	78,368	968
TEAS - Terminal Exportador de Alcool de Santos S.A. (2)	48,435	509	66.7	66.7	39,590	31,950	339	247	469	361
Cosan S.A. Bioenergia	140,055	7,196	100.0	100.0	140,055	132,859	7,196	1,842	8,421	3,805
Radar Propriedades Agrícolas S.A.	880,811	9,212	18.9	18.9	166,641	155,828	1,240	(218)	2,232	1,064
Cosan International Universal Corporation	577	(1)	100.0	100.0	577	614	(1)	(1,334)	(1)	(1,216)
Cosan Finance Limited	20,267	(992)	100.0	100.0	20,267	22,577	(992)	54	(1,855)	1,221
Cosanpar Participações S.A. (1)	-	-	-	-	-	-	-	-	-	72,212
Cosan Combustíveis e Lubrificantes S.A.	1,903,464	54,116	100.0	100.0	1,903,438	1,882,297	54,116	63,795	89,277	85,688
Cosan Alimentos S.A. (3)	285,532	28,391	100.0	100.0	743,151	714,761	28,390	22,886	23,241	24,537
Proud Participações S.A. (4)	55,038	-	93.4	93.4	55,038	55,038	-	-	-	-
Other investments (5)	-	-	-	-	55,420	59,572	(3,978)	-	(5,896)	(4,954)
					<b>6,464,172</b>	6,204,589	<b>277,212</b>	150,551	<b>329,767</b>	259,543

(1) Merged by Cosan CL on September 23, 2009;

(2) The investment balances, as of September 30 and June 30, 2010, include the goodwill generated from the acquisition of shares in the amount of R\$7.301;

(3) As of September 30, 2010, this includes the amounts of R\$365.240 (same amount as of June 30, 2010) and R\$92.380 (same amount as of June 30, 2010) related to the advances for future capital increase and goodwill from acquisition of Curupay, respectively;

(4) Established upon payment of rural and urban real estate properties; and

(5) Includes negative equity on shareholders' deficit, in the amount of R\$3,978 and R\$5,896 in the quarter and six-month period ended September 30, 2010, respectively.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

### 8. Investments (Continued)

During the quarter and six-month period ended September 30, 2010 and 2009, the line item Investments showed the following transactions:

	Parent company			
	07/01/10 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
Opening balances	6,204,589	5,216	6,112	4,788
Equity method	281,190	150,551	335,663	259,543
Addition to investments	12,720	15,344	17,224	19,344
Payment of capital with property plant and equipment and additions resulting from merger spin	-	-	55,038	334,072
Capital increase in subsidiary through conversion of credits	-	-	32,752	-
Merger goodwill	-	-	-	(18,194)
Conversion effect	(1,353)	(3,246)	(1,353)	(3,246)
Dividends	(32,974)	(860)	(87,171)	(2,520)
Other	-	-	(224)	-
Closing balances	<u>6,464,172</u>	<u>5,377,928</u>	<u>6,464,172</u>	<u>5,377,928</u>

  

	Consolidated			
	07/01/10 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
Opening balances	193,625	181,291	193,123	278,209
Equity method	1,240	29	2,232	(3,525)
Addition to investments	12,720	16,037	12,720	20,037
Payment of capital with property plant and equipment and additions resulting from merger spin	-	-	-	2,769
Investment acquisition advancement write-off	-	-	-	(100,000)
Dividends	-	(860)	-	(860)
Other	-	-	(490)	(133)
Closing balances	<u>207,585</u>	<u>196,497</u>	<u>207,585</u>	<u>196,497</u>

#### Subscription Agreement due to capital increase in Rumo Logística S.A. ("Rumo")

On July 2, 2010, the indirect subsidiary Novo Rumo Logística S.A. has entered into a Subscription Agreement with investment vehicles managed by TPG Participações S.A. and GIF LOG Participações S.A. The subscription was carried out upon capital increase in the amount of R\$400,000, which was paid up in equal parts by Investors. At the end of such transaction, the Investors subscribed the shares and paid up the capital, upon execution of a shareholders' agreement. As a result of such transaction, the Company, that indirectly held 92.9% interest in Rumo, became the holder of 69.7% interest which resulted in a net gain due to reduction of the percentage ownership interest in the amount of R\$202,755 in the consolidated, recorded in the income statement in line item Other operating income (expenses), net.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

### 9. Property, Plant and equipment

	Average annual depreciation rates (%)	Parent company			
		09/30/10			06/30/10
		Cost	Accumulated depreciation and amortization	Net	Net
Land and rural properties	-	5,045	-	5,045	5,045
Machinery, equipment and installations	9	557,915	(322,635)	235,280	228,945
Aircraft	10	13,395	(13,395)	-	87
Vehicles	20	106,208	(46,790)	59,418	43,488
Furniture, fixtures and computer equipment	16	32,149	(17,120)	15,029	15,123
Buildings and improvements	4	175,226	(37,733)	137,493	139,204
Construction in progress	-	141,793	-	141,793	113,365
Sugarcane planting costs	20	513,969	(277,390)	236,579	232,802
Parts and components to be periodically replaced	100	105,337	(81,229)	24,108	62,589
Other	-	418	-	418	416
		Consolidated			
		09/30/10			06/30/10
		Cost	Accumulated depreciation and amortization	Net	Net
Land and rural properties	-	221,542	-	221,542	210,922
Machinery, equipment and installations	10	4,301	(1,734,549)	2,566,618	2,020,132
Aircraft	10	30,901	(14,320)	16,583	17,108
Vehicles	19	316,331	(155,458)	160,883	118,370
Furniture, fixtures and computer equipment	14	140,005	(95,699)	44,306	44,719
Buildings and improvements	4	1,164	(321,227)	843,172	741,814
Vagons	3	141,642	(1,244)	140,403	87,541
Locomotives	3	85,000	(444)	84,556	-
Construction in progress	-	841,661	-	841,667	1,451,237
Sugarcane planting costs	20	1,611	(841,496)	769,771	769,226
Parts and components to be periodically replaced	100	300,820	(224,314)	76,510	197,938
Advances for purchase of property, plant and equipment	-	110,207	-	110,207	175,010
Other	-	2,095	-	2,098	2,028
		<u>9,267</u>	<u>(3,388,751)</u>	<u>5,878,400</u>	<u>5,836,039</u>

The consolidated balance of construction in progress and advances for fixed asset purchases corresponds, substantially, to (i) investments in co-generation capacity, (ii) upgrading and expansion of industrial plants, (iii) expanding warehousing capacity, and (iv) advances for purchases of locomotives.

During the quarter and six-month period ended September 30, 2010 and 2009, the line item Property, Plant and Equipment showed the following transactions:

	Parent company			
	07/01/10 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
Opening balances	841,064	768,685	872,122	789,259
Additions to the property plant and equipment	100,498	29,679	210,905	84,817
Write-offs and transfers	(5)	(147)	4,806	(4,070)
Depreciation and amortization	(86,394)	(63,231)	(176,912)	(135,020)
Additions due to merger/acquisition	-	-	(55,038)	-
Closing balances	<u>855,163</u>	<u>734,986</u>	<u>855,163</u>	<u>734,986</u>

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### 9. Property, Plant and equipment (Continued)

	Consolidated			
	07/01/10 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
Opening balances	5,8:	4,516,	5,5:	3,4:
Additions to the property plant and equipment	391,0:	359,095	988,0:	779,7:
Write-offs and transfers	(2,9:	(2,281	(5,2:	(16,8:
Transfers	(120)	(27,174	(16,0)	(27,1:
Depreciation and amortization	(345,6:	(201,803	(649,4:	(398,4:
Additions due to merger/acquisition	-	-	-	812,9:
Closing balances	5,8:	4,644,	5,8:	4,6:

### 10. Intangible assets

	Parent company			
	09/30/10		06/30/10	
	Cost	Accumulated amortization	Net	Net
<u>Goodwill (amortized on a straight-line basis until March 31, 2009)</u>				
Acquisition of JVM Participações S.A.	63,7:	(53,100	10,6:	10,620
Acquisition of Grupo Mundial	127,9:	(40,518	87,4:	87,435
Payment of capital, Mundial	21,1:	(6,342	14,8:	14,800
Acquisition of Corona (ABC 125 and ABC 126)	267,8:	(84,811	183,0:	183,013
Acquisition of Usina Açucareira Bom Retiro S.A.	115,1:	(33,590	81,5:	81,575
	595,8:	(218,361	377,4:	377,443
<u>Other intangibles</u>				
Software (amortization at the rate of 20% p. a.)	46,2:	(28,458	17,8:	21,957
	642,0:	(246,819	395,2:	399,400

  

	Consolidated			
	09/30/10		06/30/10	
	Cost	Accumulated amortization	Net	Net
<u>Goodwill (amortized on a straight-line basis until March 31, 2009)</u>				
Acquisition of JVM Participações S.A.	63,7:	(53,100	10,6:	10,620
Acquisition of Cosan Açúcar e Alcool	35,2:	(34,684	558	558
Formation of FBA	22,9:	(18,585	4,4:	4,407
Acquisition of Univalém S.A. Açúcar e Alcool	24,1:	(19,100	5,0:	5,018
Acquisition of Grupo Destivale	69,9:	(27,423	42,4:	42,494
Acquisition of Grupo Mundial	127,9:	(40,518	87,4:	87,435
Payment of capital, Mundial	21,1:	(6,342	14,8:	14,800
Acquisition of Corona	818,8:	(255,817	563,0:	563,016
Acquisition of Usina Açucareira Bom Retiro S.A.	115,1:	(33,590	81,5:	81,575
Acquisition of Usina Santa Luíza	47,0:	(4,705	42,3:	42,348
Acquisition of Benalcoo	167,3:	(18,053	149,2:	149,247
Acquisition of Aliança	1,8:	-	1,8:	1,860
Acquisition of Cosan CL	1,3:	-	1,3:	1,388
Acquisition of Teaçú	73,6:	-	73,6:	73,668
Formation of Curupay (Cosan Alimentos)	92,3:	-	92,3:	92,380
Acquisition of Açúcar União	74,8:	(57,371	17,4:	17,461
Acquisition of Destilaria Paraguauçu	166,6:	-	166,6:	166,656
Subscription of shares of Nova América	121,8:	-	121,8:	121,893
Purchase of shares of TEAS	7,3:	-	7,3:	7,301
	3,4:	(569,288	2,8:	2,870
<u>Other intangibles</u>				
Software (amortization at the rate of 20% p. a.)	92,7:	(60,457	32,2:	37,524
Other	20,7:	(1,474	19,2:	12,916
	113,4:	(61,931	51,5:	50,440
	3,5:	(631,219	2,9:	2,921

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### 10. Intangible assets (Continued)

During the quarter and six-month period ended September 30, 2010 and 2009, the line item Intangible Assets showed the following transactions:

	Parent company			
	07/01/10 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
Opening balances	399,400	405,572	399,648	403,918
Additions to goodwill, net of write offs	-	-	-	18,194
Increase in software and other intangibles	54	633	54	633
Amortization of software and other intangibles	(2,329)	(2,323)	(4,661)	(4,557)
Other	(1,860)	-	224	3,888
Closing balances	<u>395,265</u>	<u>403,882</u>	<u>395,265</u>	<u>422,076</u>

  

	Consolidated			
	07/01/10 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
Opening balances	2,921	2,724	2,901	2,418
Additions to goodwill, net of write offs	9,455	13,128	12,772	98,290
Increase in software and other intangibles	7,823	-	11,227	-
Accretion from mergers/acquisition	-	-	-	306,010
Goodwill derived from disposals	-	-	-	(85,589)
Transfers	120	27,174	16,009	27,174
Amortization of software and other intangibles	(4,383)	-	(12,329)	-
Other	(2,479)	-	(2,788)	-
Closing balances	<u>2,931</u>	<u>2,764</u>	<u>2,931</u>	<u>2,764</u>

### 11. Taxes and social contributions payable

	Parent company		Consolidated	
	09/30/10	06/30/10	09/30/10	06/30/10
ICMS	5,638	952	61,177	37,938
IPI	1,090	349	23,219	15,419
INSS	10,840	6,943	29,939	24,011
PIS	467	71	7,148	4,698
COFINS	2,148	324	32,995	21,864
Installment payments – Refis IV	99,195	98,313	659,762	662,653
Income and social contribution taxes payable	-	-	2,302	6,126
Other	16,036	11,737	28,914	22,503
	<u>135,414</u>	<u>118,689</u>	<u>845,456</u>	<u>795,212</u>
Current	(47,230)	(30,886)	(239,154)	(197,350)
Noncurrent	<u>88,184</u>	<u>87,803</u>	<u>606,302</u>	<u>597,862</u>

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### 11. Taxes and social contributions payable (Continued)

Noncurrent amounts will become due as follows:

	Parent company		Consolidated	
	09/30/10	06/30/10	09/30/10	06/30/10
13 to 24 months	11,96	12,07	65,61	64,1
25 to 36 months	7,95	8,55	60,4	60,2
37 to 48 months	6,66	6,47	56,51	54,7
49 to 60 months	6,63	6,38	56,4	54,6
61 to 72 months	6,10	6,06	54,81	53,8
73 to 84 months	5,97	5,73	44,21	45,1
85 to 96 months	5,97	5,73	42,81	41,6
As from 97 months	36,86	36,80	225,11	223,5
	<b>88,18</b>	<b>87,80</b>	<b>606,31</b>	<b>597,8</b>

The Company and its subsidiaries must comply with several conditions to continue benefiting from the installment payment programs, particularly with the regular payment of the installments as required by applicable law. The required conditions are fully complied by the Company and its subsidiaries.

#### General considerations

Under the self-assessment tax system adopted in Brazil, income tax returns filed may be audited by tax authorities for a period of five years from their filing.

### 12. Income and Social Contribution Taxes

#### a) Reconciliation of income and social contribution tax expenses:

	Parent company			
	07/01/2010 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
Profit before income tax and social contribution	527,354	198,31	513,563	648,91
Income tax and social contribution at nominal rate (34%)	(179,300)	(67,41)	(174,611)	(220,61)
Adjustments for calculation of effective rate:				
Equity in the results	95,605	51,11	114,126	88,2
Payment of non-deductible goodwill	-	(4,91)	-	(4,91)
Non-deductible donations and contributions	(2,984)	(487)	(3,406)	(875)
Options recognized and granted	(118)	(1,71)	(292)	(2,91)
Other	(831)	(1,51)	(935)	2,81
Total current and deferred taxes	<b>(87,628)</b>	<b>(25,01)</b>	<b>(65,118)</b>	<b>(138,31)</b>
Effective rate	<b>16.62%</b>	12.62%	<b>12.68%</b>	21.32%

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### 12. Income and Social Contribution Taxes (Continued)

#### a) Reconciliation of income and social contribution tax expenses (continued)

	Consolidated			
	07/01/2010 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
Profit before income tax and social contribution	586,702	277,761	615,830	763,367
Income tax and social contribution at nominal rate (34%)	(199,479)	(94,414)	(209,382)	(259,545)
Adjustments for calculation of effective rate:				
Equity in the results	242	10	123	(1,199)
Payment of non-deductible goodwill		(11,611)		(11,653)
Non-deductible donations and contributions	(4,449)	(820)	(5,913)	(1,309)
Options recognized and granted	(118)	(1,711)	(292)	(2,905)
Capital gain based on shareholding interest variation	75,845	-	75,845	-
Other	809	4,801	(6,038)	14,895
Total current and deferred taxes	(127,150)	(103,844)	(145,657)	(261,716)
Effective rate	21.67%	37.38%	23.65%	34.28%

#### b) Deferred income and social contribution tax assets:

	Parent company				06/30/10 Total
	09/30/10			Total	
	Basis	IRPJ 25%	CSSL 9%	Total	
Provisions for court judgments and other interim differences	142,939	35,735	12,864	48,599	50,330
Tax losses	415,311	103,828	-	103,828	74,976
Social contribution negative basis	415,412	-	37,387	37,387	27,001
		139,563	50,251	189,814	152,307
Foreign exchange variation	(557,430)	(139,357)	(50,169)	(189,526)	(143,421)
Leasing	23,528	5,882	2,118	8,000	7,805
Derivative transactions	(106,440)	(26,610)	(9,580)	(36,190)	(38,912)
Goodwill	(80,257)	(20,064)	(7,223)	(27,287)	(23,334)
		(180,149)	(64,854)	(245,003)	(197,862)
<b>Total deferred taxes</b>		(40,586)	(14,603)	(55,189)	(45,555)
Current assets				12,522	12,695
Non-current assets				177,292	139,612
Non-current liabilities				(245,003)	(197,862)

	Consolidated				06/30/10 Total
	09/30/10			Total	
	Basis	IRPJ 25%	CSSL 9%	Total	
Provisions for court judgments and other interim differences	963,246	240,811	86,611	327,5	335,321
Tax losses	1,005,914	251,411	-	251,4	205,601
Social contribution negative basis	1,018,412	-	91,611	91,6	75,121
		492,211	178,311	670,6	616,001
Foreign exchange variation	(650,771)	(162,611)	(58,511)	(221,2)	(174,001)
Leasing	23,528	5,882	2,118	8,000	7,805
Derivative transactions	(106,440)	(26,610)	(9,580)	(36,190)	(38,912)
Advanced depreciation	(5,064)	(1,211)	-	(1,2)	-
Goodwill	(514,052)	(128,511)	(46,211)	(174,7)	(136,101)
		(313,211)	(112,211)	(425,4)	(341,201)
<b>Total deferred taxes</b>		179,011	66,011	245,1	274,701
Current assets				94,5	94,501
Non-current assets				576,1	521,411
Non-current liabilities				(425,4)	(341,201)



## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
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### 12. Income and Social Contribution Taxes (Continued)

Deferred income and social contribution tax on accumulated loss must be realized within 10 years, according to the Company's and its subsidiaries' expected profitability shown in financial projections prepared by management.

The Company expects to realize non-current tax credits and debts in the course of the following years:

	<b>Assets</b>			
	<b>Parent company</b>		<b>Consolidated</b>	
	<b>09/30/10</b>	<b>06/30/10</b>	<b>09/30/10</b>	<b>06/30/10</b>
13 to 24 months	10,4	10,6	97,02	97,84
25 to 36 months	16,2	16,42	111,83	97,47
37 to 48 months	16,1	16,3	82,81	76,80
49 to 84 months	84,2	81,0	181,19	188,4
85 to 120 months	50,1	15,0	103,25	60,8
	<b>177,2</b>	<b>139,61</b>	<b>576,12</b>	<b>521,47</b>

  

	<b>Liabilities</b>			
	<b>Parent company</b>		<b>Consolidated</b>	
	<b>09/30/10</b>	<b>06/30/10</b>	<b>09/30/10</b>	<b>06/30/10</b>
13 to 24 months	21,7	17,4	28,11	23,57
25 to 36 months	21,7	17,4	28,11	23,57
37 to 48 months	21,7	17,4	28,11	23,57
49 to 84 months	65,3	52,3	161,03	123,4
85 to 120 months	114,3	93,1	180,10	147,0
	<b>245,0</b>	<b>197,8</b>	<b>425,49</b>	<b>341,2</b>

Tax credit recovery estimates were based on taxable profit projections, taking into consideration several financial and business assumptions on the balance sheet preparation date.

# COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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## 13. Loans and Financing

Description	Financial charges (1)		Parent company		Consolidated		Final maturity date	Guarantees (2)	
	Index	Annual average interest rate	09/30/10	06/30/10	09/30/10	06/30/10		09/30/10	06/30/10
Senior Notes Due 2014	Dollar (US)	Interest of 9,5%	-	-	601,107	653,653	August/2014	-	-
Senior Notes Due 2017	Dollar (US)	Interest of 7,0%	-	-	685,454	741,477	February/2017	-	-
BNDES (3)	URTJLP	Interest of 3,0%	-	-	1,342,87	1,336,20	October/2025 January/22 March/21 July/19 April/17	Credit rights arising from the electric sale agreement	Credit rights arising from the electric sale agreement
Bank credit note	CDI	Interest of 0,6%	-	-	61,804	60,146	December/2011	Conditional sale	Conditional sale
ACC	Dollar (US)	Interest of 1,3%	382,618	184,184	382,618	184,184	March/2011	-	-
Perpetual notes	Dollar (US)	Interest of 8,3%	771,376	820,229	771,375	820,229	-	-	-
Resolution 2471	IGP-M	Interest of 3,9%	103,718	102,920	639,877	625,082	December/2020	National Treasury Certificates and land mortgage	National Treasury Certificates and land mortgage
	Pre-fixed	Interest of 3,0%	121	121	121	121	October/2025	Sugar pledge	-
Rural credit	Pre-fixed	Interest of 6,7%	30,156	-	89,352	-	-	-	-
Pre-payments	Dollar (US) + Libor	Interest of 6,3%	426,197	453,166	845,838	899,110	September/2014	-	-
Credit note	125,0% CDI	-	314,829	304,849	314,829	304,849	October/2012	-	-
	Dollar (US)	Interest of 6,2%	173,950	182,089	173,950	182,089	-	-	-
Finame	Pre-fixed	Interest of 4,9%	77,191	45,069	373,660	253,531	January/2022	Conditional sale of financed assets	Conditional sale of financed assets
	URTJLP	Interest of 4,1%	17,543	19,044	83,278	89,374	March/2018	-	-
	Dollar (US)	Interest of 7,44%	-	-	65	77	November/2012	-	-
Other	Sundry	Sundry	-	-	38,505	73,194	Sundry	Mortgage, inventories and conditional sale of financed assets	Mortgage, inventories and conditional sale of financed assets
Expenses with placement of notes			(12,906)	(15,582)	(35,303)	(40,335)		-	-
			2,284,793	2,096,01	6,369,40	6,182,91			
Current			(671,878)	(465,333)	(1,058,51)	(860,304)			
Non-current			1,612,911	1,630,71	5,310,81	5,322,61			

(1) Financial charges as of September 30, 2010, except as indicated otherwise;

(2) All loans and financings are secured by promissory notes and sureties posted by the Company, its subsidiaries and controlling shareholders, in addition to the collateral described above; and

(3) These correspond to funds secured by direct and indirect subsidiaries, Cosan S.A. Bioenergia, Barra Bioenergia S.A. and Cosan Centroeste S.A. Açúcar e Álcool, for the purpose of financing cogeneration and greenfield projects.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
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### 13. Loans and Financing (Continued)

Noncurrent loans, net of transaction costs amortization, have the following scheduled maturities:

	Parent company		Consolidated	
	09/30/10	06/30/10	09/30/10	06/30/10
13 to 24 months	<b>376,578</b>	347,528	<b>767,459</b>	667,403
25 to 36 months	<b>349,365</b>	358,718	<b>656,742</b>	657,849
37 to 48 months	<b>16,752</b>	7,921	<b>904,978</b>	767,603
49 to 60 months	<b>4,721</b>	5,005	<b>179,491</b>	379,000
61 to 72 months	<b>109</b>	8	<b>163,865</b>	150,325
73 to 84 months	<b>8</b>	8	<b>838,970</b>	870,053
85 to 96 months	<b>18,396</b>	18,013	<b>219,290</b>	178,415
As from 97 months	<b>846,986</b>	893,555	<b>1,580,016</b>	1,652,036
	<b>1,612,915</b>	1,630,756	<b>5,310,811</b>	5,322,684

#### Senior Notes due in 2014

On August 4, 2009, the indirect subsidiary CCL Finance Limited issued US\$350,000 of Senior Notes in the international capital markets according to Regulations S and 144A that bear interest at a rate of 9.5% per annum, payable semi-annually in February and August of each year, from February 2010.

#### Senior Notes due in 2017

On January 26, 2007, wholly-owned subsidiary Cosan Finance Limited issued Senior Notes in the international capital markets under Rule 144A and Regulation S, in the amount of US\$400 million. These Senior Notes bear interest at a rate of 7% per annum, payable semi-annually in February and August of each year.

#### Credit Notes

The credit notes are equivalent to loans to expand the export activities, which funds, as of October 29 and November 11, 2009, totaled R\$174,470 (equivalent to US\$100,000 thousand) and R\$300,000, respectively, subject to annual interest of 6.25% plus US foreign exchange variation and 125% of the CDI rate, respectively.

Such transactions will be settled through exports to be performed over 2012.

#### Advances on Foreign Exchange Agreements (ACC)

The advances on foreign exchange agreements, the funds of which, between March and September 2010, totaled R\$399,246, equivalent to US\$225,000 thousand, were entered into with a number of financial institutions to be settled up to April 2011. These transactions are subject to annual interest between 0.95% and 2.15% plus US foreign exchange variation.

## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements (Continued)  
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### **13. Loans and Financing (Continued)**

#### Perpetual Notes

On January, 24 and February 10, 2006, the Company issued Perpetual Notes in the international market in accordance with Regulations S and Rule 144A, in the amount of US\$450 million for qualified institutional investors. Perpetual notes are listed in the Luxemburg Stock Exchange - EURO MTF and bear interest of 8.25% per year, payable quarterly on the 15th of May, August, November and February of each year, beginning May 15, 2006. These notes may, at the discretion of the Company, be redeemed as from February 15, 2011 on any interest payment date, for their face value. Perpetual Notes are secured by the Company and Cosan Açúcar e Álcool.

#### Resolution No 2,471

From 1998 to 2000, the Company and its subsidiaries renegotiated their debt related to agricultural funding with several financial institutions, thereby reducing their financial cost to annual interest rates below 10% and guaranteeing the amortization of the updated principal amount with the assignment and transfer of CTNs - Restricted Brazilian Treasury Bills redeemable on the debt maturity dates, using the tax incentive introduced by Resolution No. 2471, issued by the Central Bank of Brazil on February 26, 1998. As of September 30, 2010, these certificates are classified under Non-current Assets, in the amount of R\$34,705 (R\$33,040 as of June 30, 2010), parent company and R\$228,513 (R\$217,550 as of June 30, 2010), consolidated and are adjusted based on the IGP-M rate, plus interest rate of 12%. As of the debt settlement date, the redemption value of these certificates is equivalent to the renegotiated debt value. The interest related to these loans are paid annually and the principal amounts fall due in 2020, parent company and 2025, consolidated.

#### Pre-payments

During the year ended March 31, 2010, the Company and its subsidiary Cosan Alimentos S.A. funded R\$924.327, the equivalent to US\$530,000 thousand as advances for future sugar exports to be settled in 2012 and 2014. Exchange rate variation and annual interests based on the Libor rate, plus 6.2% spread p.a. are levied over these advances.

#### FINAME

This refers to loans associated with the financing of machinery and equipment (FINAME – Financiamento de Máquinas e Equipamentos) obtained from several financial institutions. These loans are intended to fund capital expenditures. These loans bear interest at rates that vary between 4.1% to 7.44% per annum, payable monthly, and are secured by statutory liens on the purchased assets.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
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### 14. Provision for Judicial Demands

	Parent company		Consolidated	
	09/30/10	06/30/10	09/30/10	06/30/10
Tax	49,136	40,823	411,838	403,538
Civil	12,494	12,003	81,143	79,765
Labor	29,588	27,722	149,956	141,650
	91,218	80,548	642,937	624,953
Judicial deposits	(8,455)	(6,085)	(173,640)	(168,870)
	<u>82,763</u>	<u>74,463</u>	<u>469,297</u>	<u>456,083</u>

During the quarter and six-month period ended September 30, 2010 and 2009, provision for judicial demands was as follows:

	Parent company			
	07/01/10 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
Opening balances	74,463	239,900	71,556	236,633
Creation (reversals), net and others	7,799	(1,587)	10,837	(2,006)
Monetary adjustment	501	1,465	370	5,151
	<u>82,763</u>	<u>239,778</u>	<u>82,763</u>	<u>239,778</u>

  

	Consolidated			
	07/01/10 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
Opening balances	456,083	1,135	444,421	1,105
Creation (reversals), net and others	(636)	(2,302)	8,054	(1,771)
Monetary adjustment	13,850	10,219	16,822	22,918
Addition due to acquisition, net of settlement	-	-	-	16,331
	<u>469,297</u>	<u>1,143</u>	<u>469,297</u>	<u>1,143</u>

The Company and its subsidiaries are party to various ongoing labor claims, civil and tax proceedings arising from the normal course of their business.

Respective provisions for judicial demands were recorded considering those cases in which the likelihood of loss has been rated as probable based on the opinion of legal advisors. Management believes resolution of these disputes will have no effect significantly different than the estimated amounts accrued.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
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### 14. Provision for Judicial Demands (Continued)

#### Judicial demands deemed as probable loss

##### a) Tax claims

The main tax judicial demands at September 30, 2010 and June 30, 2010, are as follows:

Description	Parent company		Consolidated	
	09/30/10	06/30/10	09/30/10	06/30/10
IPI	6,430	6,345	8,331	8,442
IPC – 89 (i)	-	-	88,266	87,772
Finsocial offsets (ii)	-	-	178,139	175,339
ICMS credits	24,953	16,937	77,753	66,979
PIS and COFINS	4,438	4,352	21,795	21,467
IRPJ and CSLL	809	797	2,062	797
Other	12,506	12,392	35,492	42,742
	<u>49,136</u>	<u>40,823</u>	<u>411,838</u>	<u>403,538</u>

(i) In 1993 subsidiary Cosan CL filed a suit to challenge the balance sheet restatement index (IPC) established by the federal government in 1989, which index did not reflect the actual inflation back then. The use of this index caused the Company to supposedly overstate and overpay the IRPJ and CSLL. Cosan CL obtained a favorable preliminary order that allowed it to recalculate the balance sheet restatement, now using indexes that accurately measured the inflation over the relevant period. In doing so the company rectified the amounts of IRPJ and CSLL payable. Identified overpayments for both taxes were offset in subsequent years until 1997, when the balance was zeroed. Despite the favorable court rulings, tax authorities issued a notice of infringement to the Company challenging all tax offsets performed in 1993 and some offsets in 1994 and 1997. Given the contingent nature of this tax offsetting, associated amounts were also recorded as a provision for court rulings and have been restated against the variation of the SELIC rate.

(ii) From September through December 1994, subsidiary Conan CL offset COFINS and several other taxes with previously paid amounts of FINSOCIAL. This offsetting was backed in a preliminary order issued by a court of competent jurisdiction in a suit brought to challenge the constitutionality of FINSOCIAL.

In 1995 Cosan CL was declared exempt from COFINS levies. Thus, the company understood that past offsets of COFINS against FINSOCIAL were not in order and in 2003, based on another favorable court ruling relative to FINSOCIAL, concluded that FINSOCIAL credits previously offset against CONFINS were once again available to be offset against other tax liabilities. The Company then offset these credits against IRPJ, CSLL, CIDE, PIS, COFINS and IRRF resulting from its operations. Once again, because of the contingent nature of this procedure the Company recorded the full offset amount as a provision for court rulings until the Federal Revenue Service ratified this offsetting.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### 14. Provision for Judicial Demands (Continued)

#### Judicial demands deemed as probable loss (Continued)

##### a) Tax claims (Continued)

In 2008 the Federal Revenue Service dismissed the offsetting performed on the ground that Cosan CL had already used the tax credits to offset COFINS back in 1994. In view of this understanding, the management of the Company decided to challenge the administrative decisions, which is pending judgment at the Taxpayers' Council. The amount recorded as provision for court ruling has been restated against the SELIC rate.

##### b) Civil and labor claims

The Company and its subsidiaries are parties to a number of civil claims related to (i) indemnity for physical and moral damages; (ii) public civil claims for avoidance of sugarcane burn; and (iii) environmental executions.

The Company and its subsidiaries are also parties to a number of labor claims filed by former employees and service providers challenging, among other factors, the payment of additional hours, night shift Premium and risk Premium, employment inclusion, reimbursement of discounts from payroll, such as social contribution, trade union charges, among others.

#### Judicial demands deemed as possible loss

##### a) Tax claims

The main tax claims, the unfavorable outcome of which is deemed possible and, therefore, no provision for legal claims was recorded in the quarterly information, are as follows:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>09/30/10</u>	<u>06/30/10</u>	<u>09/30/10</u>	<u>06/30/10</u>
Notice of infringement – Income tax withheld at source (i)	187,735	185,062	189,285	186,597
ICMS – State VAT (ii)	103,235	42,579	468,075	337,704
IPI – Federal VAT (iii)	10,780	10,681	267,320	265,310
Offsets against IPI credits – IN 67/98 (iv)	-	-	179,258	165,549
PIS and COFINS	12,441	12,246	146,976	145,142
Civil and labor	100,326	77,983	601,834	502,407
Others	34,121	42,571	134,574	137,841
	<u>448,638</u>	<u>371,122</u>	<u>1,987,</u>	<u>1,740,</u>

## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### **14. Provision for Judicial Demands (Continued)**

#### Judicial demands deemed as possible loss (Continued)

##### a) Tax claims (Continued)

##### (i) Tax assessment – withholding income tax

In September 2006 the Federal Revenue Service served another notice of infringement on the Company, this time for failure to withhold and pay income tax at source on capital gains derived from the acquisition of a subsidiary company. This notice of infringement led to an administrative proceeding which is deemed a likely loss in the opinion of the Company's legal counsels, the amount of which was not recorded as a provision in the Company's quarterly financial information.

##### (ii) ICMS – State VAT

Refers mainly to (i) Tax Assessment filed in view of the alleged lack of payment of ICMS and non-compliance with accessory obligation, in connection with the agribusiness partnership and manufacturing upon demand, with Central Paulista Açúcar e Alcool Ltda., between May to December 2006 and May to December 2007; and (ii) ICMS levied on the remittances of crystallized sugar for export purposes. In accordance with the tax agent, such product is classified as semi-finished product and that, in accordance with the ICMS regulation, would be subject to taxation and (iii) ICMS levied on possible differences in terms of sugar and alcohol inventories, arising from magnetic tax files and Inventory Registry Books.

##### (iii) IPI – Federal VAT

SRF Normative Instruction n° 67/98 approved the procedure adopted by the industrial establishments which performed remittances without registries and payment of the IPI rate, as regards to the sugarcane transactions (demerara), high-quality crystal, special crystal, extra special crystal and refined sugar, carried out between July 6, 1995 and November 16, 1997 and with refined sugar (amorphe) between January 14, 1992 and November 16, 1997. Such rule was considered in the respective proceedings filed by the Federal Revenue Secretariat, the unfavorable outcome of which is deemed as possible, in accordance with the opinion of the Company's legal advisors.



## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### **14. Provision for Judicial Demands (Continued)**

#### Judicial demands deemed as possible loss (Continued)

##### a) Tax claims (Continued)

##### (iv) Offsets against IPI credits – IN 67/98

SRF Normative Instruction No. 67/98 made it possible to obtain refund of IPI tax payments for sales of refined amorphous sugar from January 14, 1992 through November 16, 1997. In view of this rule, Cosan Açúcar and Álcool applied for offsetting amounts paid during the relevant periods against other tax liabilities of its own. However, the Federal Revenue Service denied its application for both reimbursement and offsetting of such amounts. Cosan Açúcar and Álcool challenged this ruling in an administrative proceeding.

Upon being notified to pay tax debts resulting from offset transactions in light of certain changes introduced by IN SRF No. 210/02, subsidiary Cosan Açúcar and Álcool filed a writ of mandamus and applied for a preliminary injunction seeking to stay enforceability of offset taxes, in an attempt to prevent the tax authorities from demanding the relevant tax debts in court. The preliminary injunction was granted by the competent court. The Company's legal advisor, responsible for such proceeding, considered the related unfavorable outcome as probable.

The amount offset, duly restated as of September 30, 2010, is R\$165.814 (R\$164.261 as of June 30, 2010). Similarly, the subsidiary Cosan Alimentos S.A. filed the same claim before the Brazilian Federal Revenue Secretariat, which amount offset and updated, up to September 30, 2010, amounts to R\$12,141 (R\$12,032 as of June 30, 2010). In view of the opinion of its legal counsels, the management of the Company has seen fit not to establish an accounting provision for the amounts involved in this lawsuit.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### 14. Provision for Judicial Demands (Continued)

Judicial demands deemed as possible loss (Continued)

#### b) Civil and labor claims

The main civil and labor claims, the unfavorable outcome of which is deemed possible and, therefore, no provision for legal claims was recognized in the quarterly information, and which nature of such claims is similar to those accrued, as mentioned above, are as follows:

	Parent company		Consolidated	
	09/30/10	06/30/10	09/30/10	06/30/10
Civil	48,977	31,303	309,848	209,043
Labor	51,349	46,680	291,986	293,364
	<u>100,326</u>	<u>77,983</u>	<u>601,834</u>	<u>502,407</u>

### 15. Accounts Receivable from the Federal Government

On February 28, 2007, subsidiary Cosan Açúcar e Álcool recognized gain of R\$318,358, corresponding to a lawsuit filed against federal government claiming indemnification for damages since prices of its products, at the time the sector was subject to government control, were imposed not observing the prevailing reality of the sector created by government control itself. A final decision in favor of the subsidiary was handed down. The gain was recorded in the statement of operations for the year, the contra entry being to noncurrent assets of the Company, in receivables from federal government.

The Company awaits a final ruling on the manner of payment. This payment will be effected in the form of court-mandated government bonds which, once issued, will be settled within 10 years.

As of September 30, 2010, the assets reported relative to the suit for loss and damages and related provision for attorney's fees amounted to R\$339,232 and R\$40,708 (R\$336,273 and R\$40,353 as of March 2010), respectively.

Subsidiary Cosan Açúcar e Álcool has other claims for damages of this nature filed against the Federal Government, which are not recognized in accounting since these still represent contingent assets.

## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements (Continued)  
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### **16. Shareholders' equity**

#### a) Capital stock

The Board of Directors' Meeting held on July 29, 2010 approved a capital increase in the amount of R\$1 through the issuance of 60 shares due to the exercise of 100 subscription warrants. On the same date, the Board of Directors' Meeting approved a capital increase in the amount of R\$2,749 under the "Company's Stock Option Plan", upon the issuance of 449,819 new non-par registered book-entry common shares, based on the exercise of such option by the eligible executive officers, at the issuance price of R\$6.11 per share. Due to the issuance of new shares, the Company's capital stock increased to R\$4,690,575, represented by 407,010,196 non-par registered book-entry common shares.

On August 31, 2010, a new capital increase was made, in the amount of R\$560, through the issuance of 91,657 new non-par registered book-entry common shares under the "Company's Stock Option Plan", based on the exercise of such option by the eligible executive officers, at the issuance price of R\$6.11 per share, under the terms of such option plan. Due to the issuance of new shares, the Company's capital stock increased to R\$4,691,135, represented by 407,101,853 non-par registered book-entry common shares.

As of September 30, 2010, the Company's capital stock was represented by 407,101,853 (406,560,317 shares as of June 30, 2010) non-par registered book-entry common shares. The authorized capital stock may be increased up to the limit of R\$5,000,000 with no need of an amendment to the Company's Bylaws, upon a decision of the Board of Directors.

#### b) Dividends

The Annual Shareholders' Meeting held on July 30, 2010 approved the distribution of dividends in the amount of R\$200,000 relating to the prior year, of which R\$83,431 exceeded the minimum mandatory dividend accounted for in this quarter. As of September 30, 2010 the dividends paid totaled R\$192,964.

#### c) Treasury shares

As of September 30, 2010, the Company kept in treasury 343,139 non-par registered book-entry common shares, and the market value at that date was R\$25.14 per share.



## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
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### 19. Other operating income (expenses), net

	Company			
	07/01/10 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
Capital gains from disposal of equity interests, net of losses	-	-	-	3,052
Internal costs for raising funds	(18,758)	-	(18,758)	-
Reversal (recognition) of provision for judicial demands	(10,371)	2,089	(13,859)	1,497
Other income (expenses), net	(5,413)	1,080	(6,542)	2,235
	<u>(34,542)</u>	<u>3,169</u>	<u>(39,159)</u>	<u>6,784</u>
	Consolidated			
	07/01/10 to 09/30/10	07/01/09 to 09/30/09	04/01/10 to 09/30/10	04/01/09 to 09/30/09
Capital gains from disposal of equity interests, net of losses	-	-	-	93,097
Capital loss from business combination	-	-	-	(28,138)
Net gain from reduction in equity interest percentage (note 8)	202,755	-	202,755	-
Recognition of provision for judicial demands	(23,632)	(492)	(34,288)	(3,382)
Other income, net	4,820	3,012	13,147	13,427
	<u>183,943</u>	<u>2,520</u>	<u>181,614</u>	<u>75,004</u>

### 20. Financial instruments

#### a) Risk management

The main market risks the Company and its subsidiaries are exposed include, among others: (i) volatility of the sugar prices, (ii) volatility of ethanol prices, and (iii) volatility of the exchange rate. The engagement of financial instruments for hedge purposes is carried out based on the analysis of the risk exposures that management intends to assume.

# COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
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## 20. Financial instruments

### a) Risk management (continued)

As of September 30, 2010 and June 30, 2010, the fair values related to the transactions with derivative financial instruments for hedge or other purposes were stated at fair value based on the prices exercised in the active markets or cash flows discounted based on the market curves and were presented as follows:

	Company				Consolidated			
	Reference Value(R\$ 000)		Fair Value (R\$ 000)		Reference Value (R\$ 000)		Fair Value (R\$ 000)	
	09/30/2010	06/30/2010	09/30/2010	06/30/2010	09/30/2010	06/30/2010	09/30/2010	06/30/2010
Price Risk								
Commodity Derivatives								
Futures Agreements	1,663,612	1,097,468	(49.796)	47.734	1,663,612	1,097,468	(49.796)	47.734
Options Agreements/Contratos de Opções	19.867	40.372	(6.166)	(3.298)	19.867	40.372	(6.166)	(3.298)
			(55.962)	44.436			(55.962)	44.436
Exchange Rate Risk								
Exchange Rate Derivatives								
Futures Agreements	(501.832)	571.660	(3.190)	2.768	(501.832)	571.660	(3.190)	2.768
Forward Agreements	1,123,505	1,235,111	113.186	50.259	1,123,505	1,235,111	113.186	50.259
Options Agreements	1,784,502	934.502	18.793	11.102	1,784,502	934.502	18.793	11.102
Swap Agreements	322.023	322.023	19.613	4.260	-	-	-	-
			148.402	68.389			128.789	64.129
Interest Rate Risk								
Interest Derivative	432.325	518.790	(2.969)	(1.495)	432.325	518.790	(2.969)	(1.495)
			(2.969)	(1.495)			(2.969)	(1.495)
<b>TOTAL</b>			<b>89.471</b>	<b>111.330</b>			<b>69.858</b>	<b>107.070</b>
<b>Total Assets</b>			<b>185.594</b>	<b>148.767</b>			<b>165.981</b>	<b>144.507</b>
<b>Total Liabilities</b>			<b>(96.123)</b>	<b>(37.437)</b>			<b>(96.123)</b>	<b>(37.437)</b>

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
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### 20. Financial instruments (Continued)

#### b) Price risk

Price risk results from the variation of the market prices of the products sold by the Company, mainly sugar #11 and #5 or white sugar. These price variations may significantly affect the Company's sales revenues. In order to mitigate this risk, the Company continuously monitors the market transactions, in order to determine in advance the price variations. The table below shows the consolidated derivative financial instruments transactions to cover the commodities price risk:

Price risk: outstanding commodities derivatives as of September 30, 2010						
Derivatives	Long/Short	Market	Agreement	Maturity	Notional (R\$ thousand)	Fair Value (R\$ thousand)
<i>Composition of derivatives balances designated in hedge accounting</i>						
Futures	Short	NY BOT	#11	March 01, 2011	283,897	15,908
Futures	Short	NY BOT	#11	May 01, 2011	39,124	(8,237)
Futures	Short	NY BOT	#11	July 01, 2011	136,609	(29,946)
Futures	Short	NY BOT	#11	October 01, 2011	139,815	(24,472)
Swap	Short	OTC	#11	March 01, 2011	51,229	(15,130)
					<b>650,674</b>	<b>(61,877)</b>
<i>Composition of derivatives balances not designated in hedge accounting</i>						
Swap	Short	LIFFE	White Sugar	December 01, 2010	4,175	(6)
<b>Subtotal of futures of Sugar Sold</b>					<b>4,175</b>	<b>(6)</b>
Futures	Long	NY BOT	#11	May 01, 2011	(10,097)	2,384
Futures	Long	NY BOT	#11	March 01, 2012	(51,038)	5,329
<b>Subtotal of futures of Sugar Purchased</b>					<b>(61,134)</b>	<b>7,713</b>
Futures	Long	NY MEX	HO	October 29, 2010	(4,129)	4,372
<b>Subtotal of futures of HO</b>					<b>(4,129)</b>	<b>4,372</b>
Futures	Short	BMFBovespa	Hydrated Ethanol	January 31, 2011	943,500	1
<b>Subtotal of futures of Hydrated Ethanol</b>					<b>943,500</b>	<b>1</b>
Call	Short	NYBOT/OTC	#11	March 01, 2011	5,119	(6,227)
Call	Short	NYBOT	#11	March 01, 2011	764	(1,167)
Call	Short	NYBOT	#11	March 01, 2011	271	(372)
Call	Short	NYBOT/OTC	#11	October 01, 2011	2,899	(2,694)
Call	Short	NYBOT/OTC	#11	October 01, 2011	4,049	(3,214)
<b>Subtotal of Short Call</b>					<b>13,102</b>	<b>(13,674)</b>
Put	Long	NYBOT/OTC	#11	October 01, 2011	2,842	3,000
Put	Long	NYBOT/OTC	#11	October 01, 2011	3,923	4,508
<b>Subtotal of Long Put</b>					<b>6,765</b>	<b>7,508</b>
<b>Total Commodities</b>					<b>1,552,952</b>	<b>(55,962)</b>

The fair value of these derivatives was measured through observable factors, such as prices of active markets.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### 20. Financial instruments (Continued)

#### c) Exchange rate risk

Foreign exchange risk results from the possible variations on foreign exchange rates adopted by the Company as regards to its revenues from exports, imports, debt flows and other assets and liabilities denominated in foreign currency. The Company adopts derivative transactions to manage the cash flow risks resulting from the export revenues denominated in US dollars, net of the other cash flows also denominated in foreign currency. The table below shows the outstanding consolidated positions, as of September 30, 2010, of the derivatives adopted to hedge the foreign exchange risks:

Price risk: outstanding foreign exchange derivatives as of September 30, 2010						
Derivatives	Long/Short	Market	Agreement	Screen	Notional (R\$ thousand)	Fair Value (R\$ thousand)
<i>Composition of derivatives balances designated in hedge accounting</i>						
Forward	Short	OTC/Cetip	NDF	October 29, 2010	147,454	21,716
Forward	Short	OTC/Cetip	NDF	December 01, 2010	95,625	9,807
Forward	Short	OTC/Cetip	NDF	January 03, 2011	89,460	11,480
Forward	Short	OTC/Cetip	NDF	April 01, 2011	185,275	8,597
Forward	Short	OTC/Cetip	NDF	May 31, 2011	141,281	15,156
Forward	Short	OTC/Cetip	NDF	July 01, 2011	99,300	8,544
Forward	Short	OTC/Cetip	NDF	August 01, 2011	103,750	11,926
Forward	Short	OTC/Cetip	NDF	October 03, 2011	261,360	25,960
<b>Subtotal of Short Forward</b>					<b>1,123,505</b>	<b>113,186</b>
<i>Composition of derivatives balances not designated in hedge accounting</i>						
Futures	Short	BMFBovespa	Commercial U.S. dollar	October 01, 2010	47,742	295
Futures	Short	BMFBovespa	Commercial U.S. dollar	November 01, 2010	15,004	112
<b>Subtotal of Short Futures</b>					<b>62,746</b>	<b>407</b>
Futures	Long	BMFBovespa	Commercial U.S. dollar	October 01, 2010	(47,504)	(66)
Futures	Long	BMFBovespa	Commercial U.S. dollar	November 01, 2010	(517,074)	(3,531)
<b>Subtotal of Long Futures</b>					<b>(564,578)</b>	<b>(3,597)</b>
Forward	Long	OTC/Cetip	NDF (Offshore)	October 04, 2010	5,952	(270)
<b>Subtotal of Long Forward</b>					<b>5,952</b>	<b>(270)</b>
Put Onshore	Long	BMFBovespa	Commercial U.S. dollar	January 03, 2011	875,000	29,465
Put Offshore	Long	OTC	Commercial U.S. dollar	February 11, 2011	42,782	2,105
Put Offshore	Long	OTC	Commercial U.S. dollar	February 11, 2011	16,720	1,494
<b>Subtotal of Long Put</b>					<b>934,502</b>	<b>33,064</b>
Put Offshore	Short	BMFBovespa	Commercial U.S. dollar	January 03, 2011	850,000	(14,001)
<b>Subtotal of Short Put</b>					<b>850,000</b>	<b>(14,001)</b>
<b>Total foreign exchange for exposure</b>					<b>2,412,126</b>	<b>128,789</b>
Swap	Long	OTC/Cetip	U.S. dollar/DI		322,023	19,613
Swap	Short	OTC/Cetip	U.S. dollar/DI		(322,023)	(19,613)
<b>Total foreign exchange</b>					<b>2,412,126</b>	<b>128,789</b>



## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### 20. Financial instruments (Continued)

#### c) Exchange rate risk (continued)

As of September 30, 2010 and June 30, 2010, the Company and its subsidiaries presented the following net exposure to the US exchange rate variation over assets and liabilities denominated in US dollars:

	Consolidated			
	09/30/10		06/30/10	
	R\$	US\$ (in thousands)	R\$	US\$ (in thousands)
Amounts pending foreign exchange closing	5,182	3,059	44,868	24,906
Overnight	23,936	14,128	50,900	28,254
Trade notes receivable – foreign	189,195	111,672	127,370	70,702
Senior notes due in 2014	(601,107)	(354,803)	(653,653)	(362,838)
Senior notes due in 2017	(685,454)	(404,589)	(741,477)	(411,589)
Perpetual bonus	(771,375)	(455,303)	(820,229)	(455,303)
Other foreign currency-denominated loans	(556,568)	(328,514)	(366,273)	(203,316)
Prepayments	(845,838)	(499,255)	(899,110)	(499,090)
Restricted cash	75,950	44,829	51,274	28,462
Foreign exchange exposure, net	<u>(3,166,079)</u>	<u>(1,868,776)</u>	<u>(3,206,330)</u>	<u>(1,779,812)</u>

#### d) Hedge accounting effects

The Company determined its hedge accounting transactions for derivative financial instruments allocated to hedge the cash flows from VHP sugar export revenues, considering: (i) hedge classification; (ii) purpose and strategy to manage the Company's risk in connection with the adoption of the hedge transactions; (iii) identification of the financial instrument; (iv) purpose or covered transaction; (v) nature of the risk to be covered; (vi) description of the coverage relationship; (vii) description of the relationship between the hedge and the coverage purpose; and (viii) prospective and retrospective hedge effectiveness. The Company allocated the derivative financial instruments of Sugar#11 (NYBOT or OTC) to cover the price risks and Non-Deliverable Forward (NDF) to cover the foreign exchange risks, as referred to in items (b) and (c) of this note.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
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### 20. Financial instruments (Continued)

#### d) Hedge accounting effects (continued)

The Company recorded the gains and losses considered as effective for hedge accounting purposes in a specific account in shareholder's equity, until the time the hedged item affects the net income for the year; in this case, the gain or loss of each instrument must be recorded in the net income for the year under the same account of the hedged item (in this case, sales revenues). As of September 30, 2010, the effects recorded in shareholders' equity and estimated realizable net income are as follows:

Derivativo	Mercado	Risco	Exercício de realização		
			2010/11	2011/12	Total
Futuro	OTC / NYBOT	#11	(192.998)	(101.594)	(294.592)
NDF	OTC / CETIP	USD	28.490	66.933	95.423
			(164.508)	(34.661)	(199.169)
(-) IR Diferido			55.933	11.779	67.712
<b>Total</b>			<b>(108.575)</b>	<b>(22.882)</b>	<b>(131.457)</b>

During the period, the statement of income was not affected due to the transactions which were not allocated for hedge accounting purposes. In addition, the Company recorded gain of R\$385 and R\$175 referring to the ineffective hedge accounting amounts for the quarter and the six-month period ended September 30, 2010, respectively.

Book value adjustment	07/01/10 to	04/01/10 to
<u>Cash Flow Hedge</u>	<u>09/30/10</u>	<u>09/30/10</u>
Balance at the beginning of period	30,239	-
Gains and losses occurred during the period		
Future agreements and commodities swap Contratos de futuros e swap de com	(304,443)	(292,861)
Forwards exchange agreement (NDF)	91,892	109,567
Adjustments of reclassification of losses / gains included in the statement of income for the period (sales revenues)	(16,857)	(15,875)
Total effect on the Book Value Adjustment resulting from the cash flow hedge (before deferred income and social contribution taxes)	(199,169)	(199,169)
Effect of deferred income and social contribution taxes to the Book Value Adjustm	67,712	67,712
	<b>(131,457)</b>	<b>(131,457)</b>

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
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### 20. Financial instruments (Continued)

#### e) Interest rate risk

The Company monitors fluctuations of the several interest rates to which its assets and liabilities are pegged, mainly those subject to Libor risk, and, in the event of increased volatility of such rates, it may engage in transactions with derivatives so as to minimize such risks. As of September 30, 2010, the Company had US\$250,000 thousand (US\$300,000 thousand as of June 30, 2010) hedged under swap agreement traded in over-the-counter market, whose market value is evaluated negatively at R\$2,969 (the negative amount of R\$1,495 as of June 30, 2010).

Price risks: interest derivatives outstanding as of 09/30/10							
Derivatives	Purchased / Sold	Market	Agreement	Number of Agreements	Average Price	Notional	Fair Value
						(US\$ '000)	(R\$ '000)
Swap	Purchased	OTC/Cetip	Fix / Libor 3 Month	1	1.199% / Libor 3 Month	83.333	144.108
Swap	Purchased	OTC/Cetip	Fix / Libor 3 Month	1	1.199% / Libor 3 Month	166.667	288.217
						<u>250.000</u>	<u>432.325</u>
							<u>(990)</u>
							<u>(1.979)</u>
							<u>(2.969)</u>

#### f) Credit risk

A significant portion of sales made by the Company and its subsidiaries is for a selected group of best-in-class counterparts, i.e. trading companies, fuel distribution companies and large supermarket chains.

Credit risk is managed through specific rules of client acceptance, credit rating and setting of limits for customer exposure, including the requirement of a letter of credit from major banks and obtaining actual warranties on given credit, when applicable. Management believes that the risk of credit is substantially covered by the allowance for doubtful accounts

The Company carries out commodity derivative transactions in the futures and options markets at the stock exchanges of New York (NYBOT) and London (LIFFE), as well as in the over-the-counter market with selected counterparts. The Company carries out foreign exchange derivative transactions at BM&F Bovespa and over-the-counter agreements registered with CETIP with 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 Investment do Brasil S.A., Deutsche Bank S.A. – Banco Alemão, Banco Bradesco S.A., Banco JP Morgan S.A., Banco Standard de Investimentos S.A., Banco Morgan Stanley Witter S.A. and Banco BTG Pactual S.A.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
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### 20. Financial instruments (Continued)

f) Credit risk (continued)

Guarantee margins – The derivative transactions carried out in stock exchanges (NYBOT, LIFFE and BM&FBovespa) require an initial margin for guarantee purposes. The brokers with which the Company trades at such stock exchanges offer credit limits to these margins. As of September 30, 2010, the total credit limit considered for initial margin is R\$58,097 (R\$54,827 as of June 30, 2010). In order to trade at BM&FBovespa, the Company counted with, as of September 30, 2010, R\$57,007 (R\$96.043 as of June 30, 2010) through the Settlement Guarantee provided by a first-class bank. The Company's derivative transactions in the over-the-counter market do not require guarantee margin.

g) Debt acceleration risk

As of September 30, 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.

h) Market values

As of September 30, 2010 the market values of cash and cash equivalents, trade accounts receivable and trade accounts payable approximate the amounts recorded to the consolidated quarterly information due to their short-term nature.

The fair value of the Senior Notes maturing in 2014 and 2017, as described in Note 13, according to their market value, is 117.25% and 108.25%, respectively, of their face value as of September 30, 2010.

The fair value of Perpetual Notes as described in Note 13, according to its market value, was 101.5% of its face value as of September 30, 2010.

As for the other loan and financing arrangements, their respective fair values substantially approximate the amounts recorded in the quarterly information considering that such instruments are subject to variable interest rates.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
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### 20. Financial instruments (Continued)

#### i) Sensitivity analysis

Pursuant to CVM Rule N° 475 issued on December 17, 2008, following is the sensitivity analysis of the fair value of financial instruments, in accordance with the types of risks deemed to be significant by the Company:

#### *Assumptions for sensitivity analysis*

For the analysis, the Company adopted three scenarios, being one probable and two that may have effects from impairment of the fair value of the Company's financial instruments. The probable scenario was defined based on the futures sugar and US dollar market curves as of October 30, 2010, the same which determines the fair value of the derivatives at that date. Possible and remote scenarios were defined based on adverse impacts of 25% and 50% over the sugar and dollar price curves, which served as basis for the probable scenario.

#### *Sensitivity exhibit*

Following is the sensitivity exhibit on the change in the fair value of the Company's financial derivatives:

	Risk factor	Effects on net income (*)		
		Probable scenario	Possible scenario (25%)	Remote scenario (50%)
<b>Price risk</b>				
<b>Commodity derivatives</b>				
Futures agreements:				
Sale Commitments	Increase in sugar price	(61,883)	(80,393)	(186,143)
Purchase Commitments	Decrease in sugar price	7,713	(13,320)	(23,479)
Purchase Commitments	Decrease in heating oil price	4,372	(8,530)	(15,269)
Sale Commitments	Increase in hydrated ethanol	1	(238)	(475)
Options agreements:				
Call options sold	Increase in sugar price	(13,674)	(8,196)	(26,995)
Put options sold	Increase in sugar price	7,508	(5,848)	(6,934)
<b>Exchange rate risk</b>				
<b>Exchange rate derivatives</b>				
Futures agreements:				
Sale Commitments	R / US exchange rate appreciation	407	(15,586)	(31,166)
Purchase Commitments	R / US exchange rate depreciation	(3,597)	(139,950)	(279,898)
Forward agreements:				
Sale Commitments	R / US exchange rate appreciation	113,186	(235,990)	(471,981)
Purchase Commitments	R / US exchange rate depreciation	(270)	(1,412)	(2,835)
Options agreements:				
Put option purchased	R / US exchange rate appreciation	32,794	(32,776)	(32,794)
Put option sold	R / US exchange rate depreciation	(14,001)	(183,513)	(393,806)
<b>Interest rate risk</b>				
<b>Interest derivatives</b>				
Swap agreements	Libor curve decline	(2,969)	(726)	(1,453)

(\*) Result expected for up to 12 months as from September 30, 2010

## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements (Continued)  
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### **21. Insurance**

As of September 30, 2010, the Company and its subsidiaries maintain insurance coverage against fire, thunderbolts and explosions of any nature for the whole sugar and ethanol inventory and for specific buildings, equipment, facilities and machinery.

The Company does not foresee any difficulties to renew its insurance policies and believes that the coverage established is reasonable in terms of amounts and consistent with the Brazilian industry standards.

The scope of work of our auditors does not include the issue of an opinion on the sufficiency of the insurance coverage, which was considered by the Company's management sufficient to cover any damages.

### **22. Stock option plan**

The Annual and Extraordinary Shareholders' Meeting held on August 30, 2005 approved the Guidelines for the Outlining and Structuring of a Stock Option Plan for Company's officers and employees, thus authorizing the issue of up to 5% of the Company's share capital. The stock option plan was designed to obtain and retain the services rendered by senior officers and employees, offering them the opportunity to become shareholders of the Company. On September 22, 2005, the Board of Directors approved the distribution of stock options corresponding to 4,302,780 common shares to be issued by the Company, related to 3.25% of the share capital at that time, as authorized by the Annual/Extraordinary Shareholders' Meeting. On that same date, eligible officers were informed of the material terms and conditions of the share-based compensation agreement.

On September 11, 2007, the Board of Directors approved the distribution of stock options, corresponding to 450,000 common shares to be issued or purchased by the Company, related to 0.24% of the share capital at that time, as authorized by the Annual/Extraordinary Shareholders' Meeting. On that same date, the eligible officer was informed of the material terms and conditions of the share-based compensation agreement. The remaining 1.51% may still be distributed.

On August 7, 2009, the Board of Directors approved a new distribution of stock option with no vesting period, corresponding to 165,657 common shares to be issued or purchased by the Company due to a change in the list of Company's Officers.

## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements (Continued)  
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### **22. Stock option plan (Continued)**

Based on the fair value at the issue date, exercise price is R\$6.11 (six Brazilian reais and eleven cents) per share, without discount. The exercise price was calculated before the above evaluation based on an expected private equity agreement, which was not entered into. The options become exercisable after one year period, considering a maximum percentage of 25% p.a. of total stock options offered by the Company, within a period of 5 years.

The exercised options shall be settled only upon the issue of new common or treasury shares that the Company may have on each date.

Should any holder of stock options cease to be an employee or manager of the Company, by death, retirement or permanent disability of the beneficiary, any options not previously vesting shall become extinct on the date that employee or officer separates from the Company. However, in the case of termination without cause, the terminated employees shall be entitled to exercise 100% of their options referring to that particular year, on top of exercising 50% of their options in the coming year.

As of September 30, 2010 options corresponding to 112,440 common shares were not exercised.

Until September 30, 2010, all stock option exercises were settled through the issuance of new common shares. Should the remaining options also be exercised through the issuance of new common shares, the current shareholders' interest would be reduced by 0.03% after exercising all remaining options.

As of September 30, 2010, R\$1,934 relating to unrecognized compensation cost relating to stock options shall be recognized over approximately 12 months (R\$2,450 as of June 30, 2010, with an approximate term of 18 months).

### **23. Pension plan**

The subsidiary Cosan CL sponsors Previd Exxon - Sociedade de Previdência Privada, a closed-ended supplementary pension entity set up on December 23, 1980 mainly engaged in the supplementation of benefits within certain limits set in its formation deeds, to which all employees of the sponsor and their beneficiaries are entitled as social security insured workers.

Actuarial liability related to Previd Exxon was determined as set forth in NPC 26 issued by IBRACON and is recorded under non-current liabilities, as of September 30, 2010, in the amount of R\$57,774 (R\$59,774 as of June 30, 2010).

## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### **23. Pension plan (Continued)**

As of the quarter and six-month period ended September 30, 2010 the contributions to Previd Exxon – Sociedade de Previdência Privada totaled R\$692 and R\$2,360, respectively.

### **24. Information per segment (consolidated)**

#### a) Information per segment

The information per segment is based on the information used by Cosan's management to evaluate the performance of the operating segments and take the decisions related to the investment of the financial resources. The Company has three segments: (i) sugar and ethanol (products resulting from the "CAA" activities; (ii) distribution of fuel and lubricants (activities performed by "CCL"); and (iii) logistics (operations performed by the indirect subsidiary "RUMO"). Each segment is administered individually in order to facilitate the serving of clients from different segments. The operating assets related to these segments are located solely in Brazil.

Below is a description of the Company's operating segments.

The CAA segment's main activities are the production and sale of a number of sugarcane byproducts, including the VHP sugar, ethanol, fuel, anhydride and hydrated ethanol. This segment also includes the activities related to the co-generation of power as from the sugarcane bagasse.

The CCL segment includes the distribution and sale of fuel and lubricants, mainly through the Esso chain located throughout Brazil, as well as convenience stores.

The RUMO segment includes the provision of logistics services involving transportation, warehousing and sugar port lifting to both the CAA segment and third parties.



## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### 24. Information per segment (consolidated) (Continued)

#### a) Information per segment (Continued)

The information selected from the statement of income and assets per segment, which information was measured in accordance with the same accounting practices adopted in the preparation of the consolidated quarterly information, is as follows:

	September 30, 2010				
	CAA	CCL	Rumo	Adjustments and exclusions	Consolidated
<b>Balance sheet:</b>					
Property, plant and equipment	4,983,323	358,631	536,446	-	5,878,400
Intangible assets	1,436,482	1,421,625	73,668	-	2,931,775
Financial debt, net	(4,742,018)	(493,232)	82,721	-	(5,152,529)
Other assets and liabilities, net	3,698,432	616,440	29,338	(2,407,801)	1,936,409
Total assets (net of liabilities) allocated per segment (1)	<u>5,376,219</u>	<u>1,903,464</u>	<u>722,173</u>	<u>(2,407,801)</u>	<u>5,594,055</u>

	June 30, 2010				
	CAA	CCL	Rumo	Adjustments and exclusions	Consolidated
<b>Balance sheet:</b>					
Property, plant and equipment	5,076,676	345,172	414,191	-	5,836,039
Intangible assets	1,441,150	1,406,421	73,668	-	2,921,239
Financial debt, net	(4,359,675)	(402,847)	(148,002)	-	(4,910,524)
Other assets and liabilities, net	3,009,415	533,577	(43,911)	(2,157,185)	1,341,896
Total assets (net of liabilities) allocated per segment (1)	<u>5,167,566</u>	<u>1,882,323</u>	<u>295,946</u>	<u>(2,157,185)</u>	<u>5,188,650</u>

(1) Composed of captions Shareholders' equity and Minority interest.

	07/01/10 to 09/30/10				
	CAA	CCL	Rumo	Adjustments and exclusions	Consolidated
<b>Statement of income for the period (three months):</b>					
Net operating revenue	1,758,491	3,017,004	144,574	(203,982)	4,716,087
Gross profit	479,375	205,546	44,335	(792)	728,464
Sales, general and administrative expenses	(271,651)	(131,409)	(6,860)	7,803	(402,117)
Financial results (2)	207,724	74,137	37,475	7,011	326,347
Other operating income (expenses), net	174,071	15,364	1,520	(7,012)	183,943
<b>Other selected information:</b>				(7,011)	
Additions to property plant and equipment and intangible assets	238,473	33,376	127,142	-	398,910
Depreciation and amortization	270,867	10,674	4,886	-	286,427

(2) Composed of Gross Profits less sales, general and administrative expenses.

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
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### 24. Information per segment (consolidated) (Continued)

	04/01/10 to 09/30/10				
	CAA	CCL	Rumo	Adjustments and exclusions	Consolidated
<b>Statement of income for the period (six months):</b>					
Net operating revenue	3,032,134	5,798,630	249,946	(365,001)	8,715,709
Gross profit	742,908	411,395	77,263	3,461	1,235,027
Sales, general and administrative expenses	(464,795)	(264,894)	(14,895)	7,052	(737,532)
Financial results (2)	278,113	146,501	62,368	10,513	497,495
Other operating income (expenses), net	171,791	10,884	9,064	(10,126)	181,613
<b>Other selected information:</b>					
Additions to property plant and equipment and intangible assets	700,014	48,226	251,074	-	999,314
Depreciation and amortization	440,036	26,923	8,659	-	475,618
	07/01/09 to 09/30/09				
	CAA	CCL	Rumo	Adjustments and exclusions	Consolidated
<b>Statement of income for the period (three months):</b>					
Net operating revenue	1,212,281	2,412,031	42,970	(91,946)	3,575,336
Gross profit	333,105	183,770	10,825	(3,868)	523,832
Sales, general and administrative expenses	(219,495)	(107,217)	(4,663)	3,868	(327,507)
Financial results (2)	113,610	76,553	6,162	-	196,325
Other operating income (expenses), net	1,532	739	275	(26)	2,520
<b>Other selected information:</b>					
Additions to property plant and equipment and intangible assets	351,366	7,729	-	-	359,095
Depreciation and amortization	144,265	9,053	3,487	-	156,805
	04/01/09 to 09/30/09				
	CAA	CCL	Rumo	Adjustments and exclusions	Consolidated
<b>Statement of income for the period (six months):</b>					
Net operating revenue	2,417,490	4,856,748	82,225	(215,024)	7,141,439
Gross profit	505,035	370,745	23,710	(7,973)	891,517
Sales, general and administrative expenses	(408,319)	(217,909)	(8,106)	7,973	(626,361)
Financial results (2)	96,716	152,836	15,604	-	265,156
Other operating income (expenses), net	5,260	94,881	(25,111)	(26)	75,004
<b>Other selected information:</b>					
Additions to property plant and equipment and intangible assets	759,748	19,258	707	-	779,713
Depreciation and amortization	301,500	17,994	7,228	-	326,722

## COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
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### 24. Information per segment (consolidated) (Continued)

#### b) Sales revenue per segment

	<u>07/01/2010 to</u> <u>30/09/2010</u>	<u>07/01/2009 to</u> <u>30/09/2009</u>	<u>04/01/2010 to</u> <u>30/09/2010</u>	<u>04/01/2009 to</u> <u>30/09/2009</u>
CAA				
Sugar	1,106,981	775,608	1,936,312	1,450,010
Ethanol	532,416	327,768	889,269	807,232
Cogeneration	81,454	38,600	136,826	67,900
Other	37,640	70,305	60,727	92,348
	<u>1,758,491</u>	<u>1,212,281</u>	<u>3,032,134</u>	<u>2,417,490</u>
CCL				
Fuels	2,795,669	2,223,165	5,354,772	4,498,679
Lubricants	204,593	170,856	406,251	321,228
Other	16,742	18,010	37,607	36,841
	<u>3,017,004</u>	<u>2,412,031</u>	<u>5,798,630</u>	<u>4,856,748</u>
Rumo				
Lifting	38,830	41,348	73,837	79,522
Freight	98,240	1,622	168,518	2,703
Other	7,504	-	7,591	-
	<u>144,574</u>	<u>42,970</u>	<u>249,946</u>	<u>82,225</u>
Adjustments and exclusions	(203,982)	(91,946)	(365,001)	(215,024)
	<u>4,716,087</u>	<u>3,575,336</u>	<u>8,715,709</u>	<u>7,141,439</u>

#### b) Sales revenue per region

Over the six-month period ended September 30, 2010 and 2009, the percentage of revenue from sales per region was as follows:

	<u>09/30/2010</u>	<u>09/30/2009</u>
Brazil	60.02%	52.10%
Europe	34.84%	29.37%
Middle East and Asia	1.59%	3.04%
North America	1.15%	14.02%
Latin America (except Brazil)	0.11%	1.46%
Other	2.29%	0.01%
Total	<u>100.00%</u>	<u>100.00%</u>

#### c) Main clients

##### CAA

Sales from this segment are relatively diluted, with only one client representing more than 10% of the sales in this segment over the six-month period ended September 30, 2010 and 2009: SUCDEN Group, with 10.6% and 23.1% of the sales, respectively.

## **COSAN S.A. INDÚSTRIA E COMÉRCIO**

Notes to the unaudited financial statements (Continued)  
Six month periods ended September 30, 2010 and 2009  
(In thousands of reais, except as otherwise specified)

### **24. Information per segment (consolidated) (Continued)**

#### ***CCL***

Sales from this segment are highly diluted, without specific clients or economic groups representing 10% or more of the sales in this segment

#### ***RUMO***

Over the six-month period ended September 30, 2010 and 2009, 56.7% and 20.1%, respectively, of the sales refer to the CAA segment. In addition, over the same period, this segment had two clients with revenues representing more than 10% of total revenues: (i) SUCDEN Group, representing 11.1% (18.4% as of September 30, 2009) and (ii) ED & F MAN Brasil S.A., representing 8.6% (14.1% as of September 30, 2009).

### **25. Subsequent events**

#### ***Perpetual Notes***

On November 5, 2010, the subsidiary Cosan Overseas Limited issued Perpetual Notes abroad in accordance with the Regulations S, in the amount of US\$300,000 thousand, which bear interest of 8.25% per year, payable quarterly.