

Cosan Ltd.  
Form 20-F  
April 29, 2016  
Table of Contents

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

**FORM 20-F**

**.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2015**

**OR**

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number: 1-33659**

**COSAN LIMITED**

**(Exact name of Registrant as specified in its charter)**

**N/A**

**(Translation of Registrant's name into English)**

**Bermuda**

**(Jurisdiction of incorporation or organization)**

**Av. Juscelino Kubitschek, 1327 4th floor**

**São Paulo, SP 04543-000, Brazil**

**(55)(11) 3897-9797**

**(Address of principal executive offices)**

**Marcelo Eduardo Martins**

**(55)(11) 3897-9797**

**ri@cosan.com**

**Av. Juscelino Kubitschek, 1327 4th floor**

**São Paulo, SP 04543-000, Brazil**

**(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)**

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

**Title of each class**

Class A Common Shares

**Name of each exchange on which registered**

New York Stock Exchange

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

**None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**None**

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

The number of outstanding shares as of December 31, 2015 was:

<b>Title of Class</b>	<b>Number of Shares Outstanding</b>
<b>Class A Common Shares, par value \$.01 per share</b>	<b>174,355,341</b>
<b>Class B series 1 Common Shares, par value \$.01 per share</b>	<b>96,332,044</b>

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

Yes  No

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

Yes  No

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

Yes  No

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

Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer

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

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

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

Item 17  Item 18

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

Yes  No

Table of Contents

## TABLE OF CONTENTS

	<b>Page</b>
<u>PART I</u>	5
<u>Item 1. Identity of Directors, Senior Management and Advisers</u>	5
<u>Item 2. Offer Statistics and Expected Timetable</u>	5
<u>Item 3. Key Information</u>	5
<u>A. Selected Financial Data</u>	5
<u>B. Capitalization and Indebtedness</u>	9
<u>C. Reasons for the Offer and Use of Proceeds</u>	9
<u>D. Risk Factors</u>	9
<u>Item 4. Information on the Company</u>	40
<u>A. History and Development of the Company</u>	40
<u>B. Business Overview</u>	42
<u>C. Organizational Structure</u>	55
<u>D. Property, Plant and Equipment</u>	56
<u>E. Supplemental Information About Joint Ventures</u>	59
<u>Item 4A. Unresolved Staff Comments</u>	63
<u>Item 5. Operating and Financial Review and Prospects</u>	63
<u>A. Operating Results</u>	70
<u>B. Liquidity and Capital Resources</u>	82
<u>C. Research and Development, Patents, Licenses, etc.</u>	85
<u>D. Trend Information</u>	86
<u>E. Off-Balance Sheet Arrangements</u>	86
<u>F. Tabular Disclosure of Contractual Obligations</u>	86
<u>G. Safe harbor</u>	88
<u>Item 6. Directors, Senior Management and Employees</u>	88
<u>A. Directors and Senior Management</u>	88
<u>B. Compensation</u>	94
<u>C. Summary of Significant Differences of Corporate Governance Practices</u>	94
<u>D. Employees</u>	96
<u>E. Share Ownership</u>	96
<u>Item 7. Major Shareholders and Related Party Transactions</u>	97
<u>A. Major Shareholders</u>	97
<u>B. Related Party Transactions</u>	103
<u>C. Interests of Experts and Counsel</u>	104
<u>Item 8. Financial Information</u>	104
<u>A. Consolidated Statements and Other Financial Information</u>	104
<u>B. Significant Changes</u>	108
<u>Item 9. The Offer and Listing</u>	109
<u>A. Offer and Listing Details</u>	109
<u>B. Plan of Distribution</u>	110

<u>C. Markets</u>	110
<u>D. Selling Shareholders</u>	110
<u>E. Dilution</u>	110
<u>F. Expenses of the Issue</u>	110
<u>Item 10. Additional Information</u>	111
<u>A. Share Capital</u>	111
<u>B. Memorandum and By-laws</u>	111
<u>C. Material Contracts</u>	119
<u>D. Exchange Controls</u>	119
<u>E. Taxation</u>	120
<u>F. Dividends and Paying Agents</u>	122
<u>G. Statement by Experts</u>	122
<u>H. Documents on Display</u>	122
<u>I. Subsidiary Information</u>	122
<u>Item 11. Quantitative and Qualitative Disclosures About Market Risk</u>	123
<u>Item 12. Description of Securities other than Equity Securities</u>	126

**Table of Contents**

	<b>Page</b>
<b><u>PART II</u></b>	127
<u>Item 13. Defaults, Dividend Arrearages and Delinquencies</u>	127
<u>Item 14. Material Modifications to the Rights of Security Holders</u>	127
<u>Item 15. Controls and Procedures</u>	127
<u>Item 16A. Audit Committee Financial Expert</u>	128
<u>Item 16B. Code of Business Conduct and Ethics</u>	128
<u>Item 16C. Principal Accountant Fees and Services</u>	128
<u>Item 16D. Exemptions from the Listing Standards for Audit Committees</u>	129
<u>Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	129
<u>Item 16F. Change in Registrant's Certifying Accountant</u>	129
<u>Item 16G. Corporate Governance</u>	129
<u>Item 16H. Mine Safety Disclosure</u>	129
<b><u>PART III</u></b>	130
<u>Item 17. Financial Statements</u>	130
<u>Item 18. Financial Statements</u>	130
<u>Item 19. Exhibits</u>	130

---

**Table of Contents**

**Presentation of Financial and Other Information**

On July 31, 2013, we changed our fiscal year from March 31 to December 31. This change was driven by the evolution in our investment portfolio, in which businesses that do not use the harvest year as their year-end (March 31) have become more significant. Accordingly, we have included in this annual report our audited consolidated financial statements as at and for the fiscal years ended December 31, 2015 and 2014 and as at and for the nine-month period ended December 31, 2013.

For comparison purposes, we have compiled and included our unaudited condensed consolidated income statement for the twelve-month period ended December 31, 2013, to provide a meaningful point of comparison with the fiscal year ended December 31, 2014. Our unaudited condensed consolidated income statement for the twelve-month period ended December 31, 2013 was prepared by combining the audited condensed consolidated income statement for the nine-month period ended December 31, 2013 with the unaudited condensed consolidated income statement for the three-month period ended March 31, 2013.

We present our consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB, for both Securities and Exchange Commission, or SEC, and the Brazilian Securities Commission (Comissão de Valores Mobiliários), or CVM, filings.

The consolidated financial statements are presented in Brazilian *reais*. However, the functional currency of Cosan Limited is the U.S. dollar. The Brazilian *real* is the currency of the primary economic environment in which Cosan S.A. Indústria e Comércio ( Cosan or Cosan S.A. ), Cosan Logística S.A. ( Cosan Logística ) and their respective subsidiaries and jointly controlled entities, located in Brazil, operate and generate and expend cash. The functional currency for the subsidiaries located outside Brazil is the U.S. dollar or the British pound. Cosan Limited, Cosan S.A., Cosan Logística and its subsidiaries are collectively referred to as the Company.

The CVM mandated that IFRS as issued by the IASB should be used as the basis for consolidated financial statements of Brazilian public companies from fiscal years ending on December 31, 2010 and onward. We have presented our consolidated financial statements for the years ended December 31, 2015 and 2014, and for the nine-month period ended December 31, 2013, in accordance with IFRS as issued by the IASB.

On October 24, 2012, we sold our subsidiary Docelar Alimentos e Bebidas S.A., our Cosan Alimentos segment in the retail sugar business, and we have reported the results from operations from this segment as discontinued operations in our financial statements for the fiscal year ended March 31, 2013. We have retrospectively presented such segment as discontinued operations for our annual consolidated financial statements as of and for the fiscal year ended March 31, 2013. This discontinued operation segment represented 15% of our consolidated profit for the fiscal year ended March 31, 2013.

On June 1, 2011, we and Shell Brazil Holdings B.V., or Shell, formed two joint ventures, or the Joint Venture, for a combined 50/50 investment, under the names Raízen Combustíveis S.A., or Raízen Combustíveis and Raízen Energia e Participações S.A. (currently Raízen Energia S.A.), or Raízen Energia, collectively referred to as Raízen. A third entity was established to assist with the management of the Joint Venture. On June 1, 2011, Cosan contributed its sugar and ethanol and its fuel distribution assets to the Joint Venture while Shell contributed its distribution assets in Brazil, its interests in second generation ethanol research and development entities (Iogen Corp. and Codexis, Inc.), its aviation fuel business in Brazil and the license to use the Shell brand. Shell was also required to make a fixed cash contribution to the Joint Venture in the amount of R\$1.8 billion over a two-year period, of which the full amount had been contributed to the Joint Venture as of December 31, 2012. The sugar refining business, including the União retail brand, and lubricants distribution business along with the investment in Radar Propriedades Agrícolas S.A., or Radar,



were not contributed to the Joint Venture. The accounting effects arising from the formation of Raízen Combustíveis and Raízen Energia, during the year ended March 31, 2012, included the recording of the underlying net assets of the Joint Venture's net assets at their estimated fair value, and recording a gain on the deconsolidation of the previous subsidiaries. Accordingly, our consolidated financial position, results of operations and cash flows for periods subsequent to the Joint Venture's formation are not necessarily comparable to pre-formation amounts. We do not present any *pro forma* condensed consolidated financial information in connection with the Joint Venture; we have not included in this annual report, financial information regarding Shell or the fuel distribution assets of Shell that it contributed to the Joint Venture.

---

**Table of Contents**

Our management evaluates the results of Raízen Energia and Raízen Combustíveis on the same basis as they are evaluated by the management of Raízen, which is on a 100% basis. Accordingly, unless the context requires otherwise, operational information pertaining to Raízen Energia and Raízen Combustíveis included in this annual report refers to 100% of the operations of these businesses. Upon the application of IFRS 11- Joint Arrangements, the Company retrospectively changed the accounting for its investments in Raízen Combustíveis and Raízen Energia, classifying them as investments in joint ventures. As such, for the nine-month period ended December 31, 2013, the Company accounted for these joint ventures under the equity method as opposed to the proportional consolidation method previously applied until March 31, 2013, and the accounting for the joint ventures for the fiscal year ended March 31, 2013 has been restated for the impacts of retrospectively adopting IFRS 11. The joint ventures Raízen Combustíveis and Raízen Energia, were created on June 1, 2011, therefore the consolidated statement of profit or loss for the years ended March 31, 2011 and 2010 were not impacted by the adoption of IFRS 11. As disclosed in Item 5. Operating and Financial Review and Prospects, following the adoption of IFRS 11, starting in April 2013 Cosan no longer proportionally consolidates Raízen Energia and Raízen Combustíveis in its consolidated statement of financial position, statement of profit or loss and comprehensive income and statement of cash flows, and the results of these investments have been presented using the equity method of accounting in accordance with IAS 28R Investments in Associates and Joint Ventures. For further details, see note 15 to our financial statements.

On November 5, 2012, the Company completed the acquisition of 60.05% of Companhia de Gás de São Paulo ( Comgás ) from BG Group for R\$3.4 billion, financed by a R\$3.3 billion loan which is to be paid over eight years, with a two year grace period and accruing interest at 123% of the CDI rate. Accordingly, Comgás has been consolidated into the Company's financial information.

During 2013, Cosan identified an immaterial error related to the recognition of a tax receivable for the payment of the IPI tax (excise tax) on the purchase of raw materials since 2011. Cosan recorded such payments as a tax receivable assuming that it would be able to offset them with other taxes in the future. Upon further analyses of the tax legislation Cosan concluded that such offset is not allowed. As a result, Cosan has determined that it was appropriate to revise its financial statements for the fiscal year ended March 31, 2013. The revisions to correct the error in the applicable fiscal years are reflected in the financial information herein and will be reflected in future filings containing such information.

On October 1, 2014 at an extraordinary general meeting, Cosan S.A. shareholders approved the partial spin-off of Cosan S.A. and the merger of the spun-off portion into Cosan Log, composed of Cosan's logistics operations. The Partial Spin-off seeks to segregate the Cosan S.A.'s activities in order to allow each business segment to focus on its sector, establishing suitable capital structures for each company. It also seeks to provide the market with greater transparency on each company's performance, which will allow a better evaluation from shareholders and investors of the individual businesses permitting that resources be allocated accordance to the shareholder's interests and investment strategy. The Company will provide shareholders with the same political and economic privileges in the new company as those conferred by the shares of the company they previously held. Furthermore, the partial spin-off will not result in any change in the characteristics of Cosan's shares or the advantages conferred by them.

During 2014, the Company identified an immaterial error in the calculation of diluted earnings per share impacting the nine-month period ended December 31, 2013 and the fiscal year ended March 31, 2013. The error consisted of a mathematically inaccurate calculation of the monetary effect of dilution on the profits attributable to shareholders of the parent. The revisions to correct the error in the applicable fiscal years are reflected in the financial information herein and will be reflected in future filings containing such information.

On April 1, 2015, Cosan, through its subsidiary Rumo Logística Operadora Multimodal S.A., or Rumo Logística or Rumo, acquired 100% of the common shares of ALL América Latina Logística S.A., or ALL. Accordingly, we began

consolidating ALL's results within our own as from that date. Rumo completed its acquisition of ALL pursuant to a stock exchange based on a reference valuation of Rumo of R\$7.0 billion (corresponding to a price of R\$10.18 per share of Rumo's common equity) and a reference valuation of ALL of R\$4.0 billion (implying a price of R\$3.90 per share of ALL's common equity). As of April 1, 2015, trading of Rumo's shares (listed under the ticker symbol RUMO3) on BM&FBOVESPA reflected the completion of the ALL acquisition. In connection with the acquisition process, ALL's shares (formerly under the ticker symbol ALLL3) were delisted from BM&FBOVESPA as of March 31, 2015. Through the acquisition of ALL by Rumo, or the ALL Acquisition, we have consolidated our position in the logistics and infrastructure markets in Brazil, by adding approximately 12,000 kilometers of existing rail tracks which are operated by ALL pursuant to certain concessions to Rumo's existing portfolios.

## **Table of Contents**

### **Forward-Looking Statements**

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

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

general economic, political, demographic and business conditions in Brazil and in the world and the cyclicity affecting our selling prices;

the effects of global financial and economic crises in Brazil;

our ability to implement our expansion strategy in other regions of Brazil and international markets through organic growth, acquisitions or Joint Ventures;

competitive developments in the segments in which we operate;

our ability to implement our capital expenditure plan, including our ability to arrange financing when required and on reasonable terms;

price of natural gas, ethanol and other fuels, as well as sugar;

equipment failure and service interruptions;

our ability to compete and conduct our businesses in the future;

adverse weather conditions;

changes in customer demand;

changes in our businesses;

our ability to work together successfully with our partners to operate our partnerships (such as the Joint Venture and to integrate COMGÁS business into ours);

technological advances in the ethanol sector and advances in the development of alternatives to ethanol;

government intervention and trade barriers, resulting in changes in the economy, taxes, rates, prices or regulatory environment including in relation to our regulated businesses such as COMGÁS;

inflation, depreciation, valuation and devaluation of the Brazilian *real*;

other factors that may affect our financial condition, liquidity and results of our operations; and

other risk factors discussed under Item 3. Key Information D. Risk Factors.

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

---

## **Table of Contents**

### **Fiscal Year**

As discussed above, in 2013 we modified our fiscal year to end on December 31. Previously, our fiscal year ended on March 31. References in this annual report to transition period 2013 relate to the nine months ended on December 31, 2013. For comparison purposes, we have also included in this annual report our unaudited condensed consolidated income statement for the twelve-month period ended December 31, 2013. References in this annual report to fiscal year 2013 or prior fiscal years relate to the fiscal year ended on March 31 of that calendar year. However, for purposes of calculating income and social contribution taxes in accordance with Brazilian law, the applicable year ends on December 31.

### **Market Data**

We obtained market and competitive position data, including market forecasts, used throughout this annual report from market research, publicly available information and industry publications, as well as internal surveys. We include data from reports prepared by LMC International Ltd., the Central Bank of Brazil (*Banco Central do Brasil*), or the Brazilian Central Bank, Sugarcane Agroindustry Association of the State of São Paulo (*União da Agroindústria Canavieira de São Paulo*), or UNICA, Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, the National Traffic Agency (*Departamento Nacional de Trânsito*), or DENATRAN, the Brazilian Association of Vehicle Manufacturers (*Associação Nacional dos Fabricantes de Veículos Automotores*), or ANFAVEA, Datagro Publicações Ltda., F.O. Licht, Czarnikow, Apoio e Vendas Procana Comunicações Ltda., the São Paulo Stock, Commodities and Futures Exchange (*BM&FBOVESPA S.A. Bolsa de Valores, Mercadorias e Futuros*), or BM&FBOVESPA, the International Sugar Organization, the Brazilian National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, the New York Board of Trade, or NYBOT, the New York Stock Exchange, or NYSE, the London Stock Exchange, the National Agency of Petroleum, Natural Gas and Biofuels (*ANP Agência Nacional do Petróleo, Gás Natural e Biocombustíveis*), or ANP, the National Union of Distributors of Fuels and Lubricants (*Sindicato Nacional das Empresas Distribuidoras de Combustíveis e Lubrificantes*), or Sindicom, the Sanitation and Energy Regulatory Agency for the State of São Paulo (*Agência Reguladora de Energia de São Paulo*) or ARSESP, the Brazilian Gas Distributors Association (*Associação Brasileira das Empresas Distribuidoras de Gás*) or ABEGÁS, and the Agriculture School of the University of São Paulo (*Escola Superior de Agricultura Luiz de Queiroz*) or ESALQ, and the National Electric Energy Agency (*Agência Nacional de Energia Elétrica*) or ANEEL. We believe that all market data in this annual report is reliable, accurate and complete.

### **Terms Used in This Annual Report**

In this annual report, we present information in gallons, liters and cubic meters (m<sup>3</sup>). In addition, we also present information in tons. In this annual report, references to ton or tonne refer to the metric tonne, which is equal to 1,000 kilograms.

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

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

### **Rounding**

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

**Table of Contents**

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information**

**A. Selected Financial Data**

The following tables present selected historical financial and operating data for the Company derived from our audited consolidated financial statements. You should read the following information in conjunction with our audited consolidated financial statements and related notes, and the information under Item 5. Operating and Financial Review and Prospects in this annual report.

The financial data at and for the fiscal years ended December 31, 2015 and 2014, and for the nine-month period ended December 31, 2013 have been derived from our audited consolidated financial statements prepared in accordance with IFRS as issued by the IASB, unless otherwise stated.

The financial data at and for the unaudited nine-month period ended December 31, 2012 is presented solely for the purpose of providing meaningful comparisons with the audited nine-month period ended December 31, 2013.

The unaudited consolidated financial information for the nine-month period ended December 31, 2012 was derived from the interim financial information included in the consolidated financial statements for the fiscal year ended March 31, 2013. Similarly, the financial data at and for the unaudited twelve-month period ended December 31, 2013 is provided solely for the purposes of meaningful comparison with the audited fiscal year ended December 31, 2014. The unaudited consolidated financial information for the twelve-month period ended December 31, 2013 was prepared by compiling the financial information presented in the consolidated financial statements for the nine-month period ended December 31, 2013 with the unaudited interim financial information for the three-month period ended March 31, 2013, which was included in the consolidated financial statements for the fiscal year ended March 31, 2013.

In the fiscal year ended March 31, 2012 our sugar and ethanol assets were contributed to the formation of the joint ventures, Raízen Energia and Raízen Combustíveis, and the revenues from such operations ceased to be consolidated into the results of operations, as these joint ventures are accounted for under the equity method, in accordance with IFRS 11.

***Business Segments and Presentation of Segment Financial Data***

The Company presents seven reportable segments:



## Edgar Filing: Cosan Ltd. - Form 20-F

- (1) Raízen Energia: production and marketing of a variety of products derived from sugar cane, including raw sugar (VHP), anhydrous and hydrated ethanol, and activities related to energy cogeneration from sugarcane bagasse. In addition, this segment holds interests in companies engaged in research and development on new technology;
- (2) Raízen Combustíveis: distribution and marketing of fuels, mainly through a franchised network of service stations under the Shell brand throughout Brazil;
- (3) COMGÁS: distribution of piped natural gas under a concession covering part of the State of São Paulo (approximately 180 municipalities, including the region called Greater São Paulo) to customers in the industrial, residential, commercial, automotive, thermo-generation and cogeneration sectors;
- (4) Cosan Logística, composed by Rumo and ALL: logistics services for transport, storage and port loading of commodities, mainly for sugar products, leasing or lending of locomotives, wagons and other railway equipment;
- (5) Radar, composed by Radar Propriedades Agrícolas S.A. and Radar II Propriedades Agrícolas S.A. ( Radar ): management, buying, selling and leasing of agricultural;
- (6) Lubricants, composed by Cosan Lubrificantes e Especialidades S.A. ( CLE ) and Comma Oil & Chemicals Ltd. ( Comma ): production and distribution of lubricants under the Mobil brand in Brazil, Bolivia, Uruguay and Paraguay, as well as in the European and Asian markets under the Comma trademark; and
- (7) Cosan's other business: other investments, in addition to the corporate activities of the Company. The other business segments include the subsidiaries responsible for raising funds for the Cosan group.

**Table of Contents**

Following the adoption of IFRS 11, as of April 1, 2013 Cosan no longer proportionally consolidates Raízen Energia and Raízen Combustíveis in its consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income and consolidated cash flows, and the results from these businesses are accounted for under the line item Equity in income of jointly controlled entity in our consolidated statement of profit or loss and other comprehensive income.

	As of and For Fiscal		As of	As of and for		As of and for Fiscal Year Ended		
	Year		and for	Nine-Month		Year Ended		
	Ended	Ended	Month	Period Ended	Period Ended	March 31,	March 31,	March 31,
	December 31,	December 31,	Period	December 31,	December 31,	2013	2012	2011
	2015	2014	Ended	2013	2012	2013	2012	2011
	(in millions of <i>reais</i> , except where otherwise indicated)							
<b>Consolidated Income Statement Data:</b>								
Net sales	12,458.3	9,062.3	8,867.4	6,878.2	2,597.0	4,586.2	4,563.6	18,063.5
Cost of sales	(8,663.6)	(6,413.7)	(6,263.7)	(4,878.2)	(1,825.9)	(3,211.3)	(3,696.2)	(15,150.1)
Gross profit	3,794.7	2,648.6	2,603.7	2,000.0	771.1	1,374.9	867.4	2,913.4
Selling expenses	(900.7)	(881.5)	(802.4)	(604.0)	(261.0)	(459.4)	(318.4)	(1,026.1)
General and administrative expenses	(939.6)	(668.6)	(606.0)	(467.0)	(280.5)	(419.5)	(274.5)	(545.4)
Gain on the de-recognition of subsidiaries to form the JVs							2,752.7	
Other income (expense), net	301.1	(21.2)	148.1	76.3	101.9	173.7	(21.7)	(33.8)
Total operations income / (expenses)	(1,539.2)	(1,571.4)	(1,260.3)	(994.6)	(439.5)	(705.2)	2,138.1	(1,605.3)
Income before equity in earnings of investees and financial results	2,255.3	1,077.2	1,343.5	1,005.4	331.6	669.7	3,005.5	1,308.1
Equity in earnings of investees	783.5	592.0	355.4	247.5	461.2	674.3	388.6	25.2
Financial results	(2,164.7)	(982.8)	(893.6)	(713.7)	(243.3)	(423.1)	(259.1)	(151.1)
Profit before taxes	874.1	686.3	805.3	539.2	549.5	920.9	3,135.0	1,182.2

Edgar Filing: Cosan Ltd. - Form 20-F

Income tax (expense) benefit:								
Current	(176.5)	(156.5)	(157.7)	(130)	(72.3)	(100.1)	(58.7)	(85.4)
Deferred	188.6	112.7	54.4	90.8	85.2	(26.3)	(960.4)	(329.1)
	12.1	(43.8)	(103.3)	(39.2)	12.9	(126.4)	(1,019.1)	(414.5)
Profit from continuing operations	886.2	642.5	702.0	500.0	562.4	794.5	2,115.8	767.8
Profit (loss) from discontinued operation, net of tax			(3.4)		142.2	138.9	64.2	
Profit for the period	886.2	642.5	698.7	500.0	704.6	933.5	2,180.1	767.8
Net income for the period attributable to non-controlling interests	(426.5)	(471.5)	(483.5)	(377.4)	(368.9)	(509.4)	(1,003.7)	(296.7)
Net income for the period attributable to owners of the parent (including discontinued operations)	459.7	171.0	215.2	122.6	335.7	424.1	1,176.4	470.9

**Table of Contents**

	As of and For Fiscal Year Ended		As of and for Twelve-Month Period Ended	As of and for Nine-Month Period Ended		As of and for Fiscal Year Ended		
	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2013	December 31, 2012	March 31, 2013	March 31, 2012	March 31, 2011
	(in millions of reais, except where otherwise indicated)							
<b>dated</b>								
<b>ent of</b>								
<b>al Position</b>								
and cash								
ents	3,505.8	1,649.3	1,509.5	1,509.5	1,470.0	1,544.1	1,036.2	1,036.2
ent								
es	749.7	149.7	88.0	88.0		105.9		
ries	656.9	353.7	312.0	312.0	288.3	275.7	151.0	151.0
cal assets								1,036.2
y, plant and								
ent	9,805.9	1,435.9	1,271.9	1,271.9	1,142.6	1,178.3	1,656.1	7,000.0
ole assets and								
l	17,309.7	10,286.4	10,078.0	10,078.0	10,406.9	9,614.9	1,469.4	3,000.0
sets	52,307.7	29,696.3	28,615.7	28,615.7	25,035.9	27,521.0	15,864.1	18,000.0
liabilities	6,922.6	2,970.9	2,650.7	2,650.7	2,578.4	2,987.1	602.9	2,000.0
rent								
es								
borrowings								
entures	18,829.2	8,502.6	9,093.0	9,093.0	7,267.0	8,508.0	2,077.4	6,000.0
on for legal								
ings	1,193.9	657.8	722.5	722.5	829.0	825.7	764.3	764.3
attributable								
rs of the	6,017.0	5,844.6	5,886.3	5,886.3	5,850.9	5,997.3	5,564.3	4,000.0
attributable								
controlling								
s	10,337.7	7,644.7	7,433.5	7,433.5	7,331.0	7,208.7	3,862.3	2,000.0
shareholders								
	16,354.7	13,489.3	13,319.8	13,319.8	13,181.9	13,206.0	9,426.6	7,000.0
<b>dated Other</b>								
<b>al Data:</b>								
ation and								
ation	1,178.8	679.1	598.5	439.1	175.4	334.8	260.9	1,000.0
(1)	12,885.6	6,146.4	7,312.9	7,310.4	6,768.0	6,722.3	1,046.5	5,000.0
g capital(2)	(87.4)	594.2	913.3	913.3	542.1	456.3	1,297.0	1,000.0

low provided d in):								
ng activities	3,350.6	1,117.2	1,350.2	1,130.3	103.1	283.1	652.0	2
ng activities	(1,003.1)	(331.7)	(1,025.7)	(504.9)	(2,866.8)	(2,710.6)	(1,180.2)	(3
ng activities	(542.6)	(635.5)	(316.6)	(673.4)	3,198.2	2,931.3	276.8	
arnings per om ng ns	R\$1.74	R\$0.65	R\$0.81	R\$0.46	R\$1.26	R\$1.27	R\$4.23	R
arnings per om ng ns	R\$1.68	R\$0.58	R\$0.75	R\$0.40	R\$1.26	R\$1.21	R\$4.23	R
arnings per om nued ns			R\$0.01		R\$0.02	R\$0.33	R\$0.15	
arnings per om nued ns			R\$0.01		R\$0.02	R\$0.33	R\$0.15	
of shares ding	270,687,385	270,687,385	270,687,385	270,687,385	270,687,385	270,687,385	270,687,385	270,68
d dividends s of <i>reais</i> )	531.5	445.5	328.3	328.3	153.7	468.9	141.0	
d dividends s of U.S.	US\$136.1	US\$167.7	US\$140.1	US\$140.1	US\$75.2	US\$232.8	US\$77.4	US\$
d dividends e ( <i>reais</i> )	R\$2.00801	R\$1.68323	R\$1.24024	R\$1.24024	R\$0.57247	R\$1.77156	R\$0.53130	R\$0.
d dividends e (U.S.	US\$0.51424	US\$0.63370	US\$0.52943	US\$0.52943	US\$0.28014	US\$0.87971	US\$0.29160	US\$0.
<b>Operating</b>								
l sugarcane on tons)	59.9	57.1	61.4	61.4	56.2	56.2	52.9	
roduction (in tons)	4.1	4.1	4.5	4.5	4.2	4.2	3.9	
roduction on liters)	2.1	2.1	2.0	2.0	1.9	1.9	1.9	
of fuel sold on liters) <sup>(3)</sup>	25,076	25,027.8	23,214.1	17,903.0	16,656.3	21,967.4	18,526.3	6
loaded Logística) on tons)	11.7	11.1	9.2	7.0	6.4	8.6	7.8	
orted volume Logística) on tons)	44.9							
gas ÁS) (in	5,210.9	5,458.7	5,457.0	4,089.9	926.3	2,293.3		

m<sup>3</sup>)

of

ts and base

(in million

316.9	319.8	315.6	243.1	214.0	286.6	216.7
-------	-------	-------	-------	-------	-------	-------

- (1) Net debt consists of current and non-current debt, net of cash and cash equivalents, marketable securities and derivatives on debt and CTNs Brazilian Treasury bills (only for 2011 and 2010) recorded in our consolidated financial statements as other non-current assets. Net debt is a non-GAAP measure.
- (2) Working capital consists of total current assets less total current liabilities.
- (3) Starting from 2015 the reported volumes are based on a methodology developed by Sindicom (*Sindicato Nacional das Empresas Distribuidoras de Combustíveis e de Lubrificantes*), an association of fuel distributors, which excludes volumes sold to other distributors.

**Table of Contents**

The table below provides a reconciliation of Net debt, a non-GAAP measure:

	As of and for Fiscal Year Ended	As of and for Fiscal Year Ended	As of and for Twelve-Month Period Ended	As of and for Nine-Month Period Ended	As of and for Nine-Month Period Ended	As of and for Fiscal Year Ended	As of and for Fiscal Year Ended	As of and for Fiscal Year Ended
	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2013	December 31, 2012	March 31, 2013	March 31, 2012	March 31, 2011
	(in millions of <i>reais</i> , except where otherwise indicated)							
Current loans, borrowings and debentures	2,775.5	1,056.4	1,050.9	1,050.9	1,139.7	1,608.4	83.5	957.1
Non-current loans, borrowings and debentures	16,053.7	7,446.3	8,042.1	8,042.1	7,267.0	6,899.6	1,993.9	6,274.9
<b>Total</b>	<b>18,829.2</b>	<b>8,502.6</b>	<b>9,093.0</b>	<b>9,093.0</b>	<b>8,406.7</b>	<b>8,508.0</b>	<b>2,077.4</b>	<b>7,232</b>
Cash and cash equivalents	3,505.8	1,649.3	1,509.5	1,509.5	1,470.0	1,544.1	1,036.2	1,271.8
Investment securities	749.7	149.7	88.0	88.0		105.9		
<b>Total</b>	<b>4,255.5</b>	<b>1,799.1</b>	<b>1,597.5</b>	<b>1,597.5</b>	<b>1,470.0</b>	<b>1,650.0</b>	<b>1,036.2</b>	<b>1,271.8</b>
Special Program for Agricultural Securitization PESA (debt)								(674.5)
Derivatives on debt	(1,688.1)	(557.1)	(182.6)	(185.0)	(168.7)	(135.8)	5.3	
<b>Net debt</b>	<b>12,885.6</b>	<b>6,146.4</b>	<b>7,312.9</b>	<b>7,310.4</b>	<b>6,768.0</b>	<b>6,722.3</b>	<b>1,046.4</b>	<b>5,285.7</b>

**Exchange Rates**

Since 1999, the Brazilian Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely, which resulted in increasing exchange rate volatility. Until early 2003, the *real* declined against the U.S. dollar. Between 2006 and 2008, the *real* strengthened against the U.S. dollar, except in the most severe periods of the global economic crisis. Given the recent turmoil in international markets and the current Brazilian macroeconomic outlook, the *real* depreciated against the U.S. dollar from mid-2011 to early 2016. In early 2016, the *real* appreciated against the U.S. dollar, primarily as a result of Brazil's changing political conditions. The Brazilian Central Bank allows the *real*/U.S. dollar exchange rate to float freely and has intervened occasionally to control the exchange rate volatility. However, the exchange market may continue to be volatile, and the *real* may depreciate or appreciate substantially in relation to the U.S. dollar. The Brazilian Central Bank or the Brazilian government may intervene in the exchange rate market.

Since March 17, 2008, Brazilian exporters have been allowed to keep 100% of income from exports outside of Brazil. In addition, the foreign exchange mechanism was simplified to provide for the simultaneous purchase and sale of foreign currency through the same financial institution and using the same exchange rate.

On October 5, 2010, the Brazilian government announced measures to respond to the appreciation of the *real* by increasing the IOF (*Imposto sobre Operações Financeiras*) tax rate to 4% on foreign exchange transactions related to foreign investments in the financial and capital markets, except for variable income investments traded on the stock exchange, which remained at 2%.

On October 18, 2010, new increases in the IOF tax rate were announced by the Brazilian government which adopted a 6% rate for foreign exchange transactions and for the investments of foreign investors in accordance with the margin requirements for future transactions on the BM&FBOVESPA. The IOF tax rate remains at zero on exchange transactions for outflow for these funds as well as for proceeds received as a result of initial public offerings. The conversion of Brazilian currency into foreign currency for purposes of paying dividends for American Depositary Share programs is not subject to tax.

On January 6, 2011, the Brazilian Central Bank published Circular 3,520, which imposes a 60% minimum reserve deposit for any financial operations exceeding US\$3 billion.

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

<b>Year</b>	<b>Period-end</b>	<b>Average<sup>(1)</sup></b>	<b>Low</b>	<b>High</b>
March 31, 2011	1.629	1.666	1.628	1.690
March 31, 2012	1.822	1.699	1.534	1.901
December 31, 2012	2.044	2.006	1.822	2.112
March 31, 2013	2.014	2.004	1.822	2.112
December 31, 2013	2.343	2.160	1.953	2.446
December 31, 2014	2.656	2.354	2.197	2.740
December 31, 2015	3.905	3.330	2.575	4.195



**Table of Contents**

<b>Month</b>	<b>Period-end</b>	<b>Average<sup>(2)</sup></b>	<b>Low</b>	<b>High</b>
October 2015	3.859	3.872	3.739	4.001
November 2015	3.851	3.778	3.701	3.851
December 2015	3.905	3.873	3.748	3.983
January 2016	4.043	4.040	3.986	4.156
February 2016	3.980	3.968	3.865	4.049
March 2016	3.559	3.693	3.559	3.991
April 2016 (through April 26, 2016)	3.530	3.579	3.513	3.692

Source: Brazilian Central Bank.

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

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

Exchange rate fluctuation will affect the U.S. dollar equivalent of the market price of our Brazilian Depositary Receipts, or BDRs, on BM&FBOVESPA, as well as the U.S. dollar value of any distributions we receive from our subsidiary Cosan S.A., which will be made in *reais*. See D. Risk Factors Risks Related to Brazil.

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

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

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

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

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

Our sugar production depends on the volume and sucrose content of the sugarcane that we cultivate or is provided to us by farmers located near our plants. Crop yields and sucrose content of the sugarcane mainly depend on weather

conditions, such as rainfall and temperature, which may vary and may be influenced by global climate change.

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

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

fluctuations in gasoline prices;

variances in the production capacities of our competitors; and

the availability of substitute goods for the ethanol and sugar products we produce.

---

**Table of Contents**

The prices we are able to obtain for sugar depends, in large part, on prevailing market prices. These market conditions, both in Brazil and internationally, are beyond our control. The wholesale price of sugar has a significant impact on our profits. Like other agricultural commodities, sugar is subject to price fluctuations resulting from weather, natural disasters, harvest levels, agricultural investments, government policies and programs for the agricultural sector, domestic and foreign trade policies, shifts in supply and demand, increasing purchasing power, global production of similar or competing products, and other factors beyond our control. In addition, a significant portion of the total worldwide sugar production is traded on exchanges and thus is subject to speculation, which could affect the price of sugar and our results of operations. The price of sugar, in particular, is also affected by producers' compliance with sugar export requirements and the resulting effects on domestic supply. As a consequence, sugar prices have been subject to higher historical volatility when compared to many other commodities. Competition from alternative sweeteners, including saccharine and high fructose corn syrup, known as HFCS, changes in Brazilian or international agricultural or trade policies or developments relating to international trade, including those under the World Trade Organization, are factors that can directly or indirectly result in lower domestic or global sugar prices. Sugar prices reached the highest levels in nearly 30 years during the 2010 fiscal year, reflecting the deficit in global sugar production. However, from 2010 to 2016, sugar prices decreased due to the increase in global sugar supplies. Any prolonged or significant decrease in sugar prices could have a material adverse effect on our business and financial performance.

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

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

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

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

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

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

Raízen Energia may explore growth opportunities in the future. We do not have environmental or other permits, designs or engineering, procurement and construction contracts with respect to any potential projects. As a result, we may not complete these projects on a timely basis or at all, and may not realize the related benefits we anticipate. In addition, we may be unable to obtain the required financing for these projects on satisfactory terms, or at all.

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

---

**Table of Contents**

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

Our current total installed energy cogeneration capacity is approximately 934 MW, which is used to generate energy for our own industrial operations and to sell surplus energy to third parties. The Brazilian government regulates the energy sector extensively. We may not be able to satisfy all the requirements necessary to acquire new contracts or to otherwise comply with Brazilian energy regulation. Changes to the current energy regulation or federal authorization programs, and the creation for more stringent criteria for qualification in future public energy auctions, may adversely affect the implementation of this element of our business strategy.

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

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

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

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

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

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

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

Alternatively, we may choose not to engage in hedging transactions in the future, which could adversely affect our financial performance during periods in which commodities prices decrease.

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

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

---

**Table of Contents**

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

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

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

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

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

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

In addition, natural gas supply agreements have their payment terms made up of two portions: (1) one is indexed to a basket of combustible oils in the international market and is adjusted quarterly, and (2) the other is adjusted annually based on the inflation rate. The price of oil is measured in R\$/m<sup>3</sup>. Furthermore, natural gas supply agreements often take the form of a take or pay agreement, pursuant to which Comgás might be required to pay the difference in amounts between actual consumption and the contract amount. Variations and uncertainties in the price and demand of oil are beyond our control and may adversely affect our results of operations.





---

**Table of Contents**

***Renewal or extension of our natural gas concession contracts is not guaranteed and failure to renew or extend such natural gas concession contracts could have a material adverse effect on us.***

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

We are required to meet certain requirements to renew our concession agreements, and although our expectation is that we will meet these requirements, we cannot assure you that our concession agreements will be renewed, or that they will be renewed on the same terms. If our concession agreements are not renewed, or are renewed with less favorable terms, our business, financial condition and results of operations will be negatively affected.

Our business is subject to regulation, control and supervision of ARSESP and ANP, which could affect our financial performance. ARSESP establishes a maximum value to our rates and regulates and supervises our business. Pursuant to the concession agreements, every five years the rates are reviewed by the ARSESP, which directly affects the margins and Comgás results positively or negatively. Such margins are adjusted annually by the IGP-M index price minus the efficiency factor determined for each tariff cycle by ARSESP. As a result, the implementation of our growth strategy and the normal course of our business may be adversely affected by government actions.

***We cannot guarantee that changes arising from the tariff review process will be supportive of our strategy.***

The principal rights and obligations of the holders of concessions are included in the concession contracts entered into, and in the regulations established by ARSESP. Among the items provided for in the concession agreement, is the tariff review, which should occur in five-year cycles, and serves to reestablish the economic and financial balance of the concession, setting the average margin for the cycle and the rates that will apply for each segment. We cannot assure you that in the future tariffs will be set at a level that would permit us to continue to operate profitably.

In addition, in its regulatory capacity, ARSESP may impose penalties on us if we fail to comply with any provision of the concession contracts. Depending on the severity of noncompliance, applicable penalties include:

assessments;

fines;

bans on the construction of new facilities and equipment; and

forfeiture of the concession.

We cannot guarantee that it will not be penalized by ARSESP for breaching our natural gas concession contracts or that the concessions will not be revoked in the future. The compensation to which we would be entitled in the event of possible revocation of the concessions may not be sufficient to recover the full value of certain assets. Therefore, the imposition of fines or penalties on us or the revocation of the concessions could have a material adverse effect on our financial condition and results of operations.

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

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

**Table of Contents**

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

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

Future government policies in Brazil and elsewhere may adversely affect the supply, and demand for, and prices of, our products or restrict our ability to do business in our existing and target markets, which could adversely affect our financial performance. Furthermore, our operations are currently concentrated in São Paulo. In addition, our operations are currently concentrated in the state of São Paulo. Any changes affecting governmental policies and regulations regarding ethanol, sugar or sugarcane in the state of São Paulo (at the federal, state or municipal level) may adversely affect our business and financial performance.

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

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

As part of our strategy, we continue to seek to reduce operating costs and increase operating efficiencies to improve our future financial performance. We may not be able to achieve the cost savings that we expect to achieve, depending on several factors, including the increase in the price of the necessary resources to our economic activity.

Given the highly competitive markets in which we operate, with prices often being defined from the global offering, it is highly likely that we will not pass on increases in material costs in our selling price, adversely affecting our financial performance.

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

The state of São Paulo and some local governments have established laws and regulations that limit our ability to burn sugarcane or that reduce and/or entirely prohibit the burning of sugarcane. The costs to comply with existing or new laws or regulations are likely to increase and raise the cost of production, and, as a result, our ability to operate our own mills and harvest our sugarcane crops may be adversely affected.

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



---

**Table of Contents**

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

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

Our sugar production depends on the volume and sucrose content of the sugarcane that we cultivate or that is supplied to us by growers located in the vicinity of our mills. Crop yields and sucrose content depend primarily on weather conditions such as rainfall and temperature, which vary and may be influenced by global climate change. Weather conditions have historically caused volatility in the ethanol and sugar industries and, consequently, in our results of operations by causing crop failures or reduced harvests. Flood, drought or frost, which may be influenced by global climate change, can adversely affect the supply and pricing of the agricultural commodities that we sell and use in our business. Future weather patterns may reduce the amount of sugar or sugarcane that we can recover in a given harvest or its sucrose content. In addition, our business is subject to seasonal trends based on the sugarcane growing cycle in the central-south region of Brazil. The annual sugarcane harvesting period in the central-south region of Brazil begins in April/May and ends in November/December. This creates fluctuations in our inventory, usually peaking in December to cover sales between crop harvests (i.e., December through April), and a degree of seasonality in our gross profit, with ethanol and sugar sales significantly lower in the quarter ended on December 31. Seasonality and any reduction in the volumes of sugar recovered could have a material adverse effect on our business and financial performance.

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

Sugarcane is the principal raw material used by Raízen Energia (a company which we jointly control with Shell) for the production of ethanol and sugar. As of December 31, 2015, sugarcane purchased from suppliers accounted for 52% of our total sugarcane crushed. Historically, approximately 90% of the sugarcane purchased by us has been under medium- and long-term contracts with sugarcane growers, 3% on a spot basis and the remaining 7% from sugarcane growers with whom we have long-term relationships but no contractual arrangements. We generally enter into medium- and long-term supply contracts for periods varying from three and one-half to seven years. As of December 31, 2015, we also leased approximately 525,000 hectares to produce our own sugarcane in contracts with an average term of fourteen years. Any shortage in sugarcane supply or increase in sugarcane prices in the near future, including as a result of the termination of supply contracts or lease agreements representing a material reduction in the sugarcane available to us for processing or increase in sugarcane prices may adversely affect our business and financial performance.

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

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

such social movements. Any invasion or occupation may materially impair the use of our lands and adversely affect our business, financial condition, and results of operations.

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

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

**Table of Contents**

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

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

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

In the fiscal year ended December 31, 2015, our net sales from exports represented 60% of our total net sales, while in the year ended December 31, 2014, our net sales from exports represented 56% of our total net sales.

In the financial year ended December 31, 2015, our net sales from sugar exports were R\$3,660.2 million, representing 33% of our total net sales for the period. In the year ended December 31, 2014, our net sales from sugar exports were R\$3,050.5 million, representing 33% of our total net sales for the period. Further, in the fiscal year ended December 31, 2015, our net sales from exports of ethanol were R\$2,982.4 million, representing 27% of our total net sales for that period and in the year ended December 31, 2014, our net sales from ethanol exports were R\$832.5 million, representing 9% of our total net sales for that period.

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

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

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

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

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

high. Any serious incidents of crop disease or pestilence, and related costs, may adversely affect our production levels and, as a result, our net sales and overall financial performance.

***We are exposed to the possibility of losses related to natural disasters, catastrophes, accidents, fire and other events not in our control, which may have a material adverse effect on our financial performance.***

Our operations are subject to certain risks that affect our properties, facilities, permanent passageways, rail banks and inventory, including, among others, fire, which may destroy machinery, equipment and facilities, as well as client cargo being transported. Fires, explosions, fuel leaks and other flammable products as well as other environmental events, cargo loss or damage, railroad, cargo loading and unloading terminal, accidents, business interruptions due to political events as well as labor claims, demonstrations by social and/or environmental groups or associations, strikes (of our own employees or of those linked to entities with which we have a relationship, such as port operators), adverse weather conditions and natural disasters, such as floods, may result in the loss of revenues, assumption of liabilities or cost increases. Moreover, our operations may be periodically affected by crop shortfalls, landslides and other natural disasters.



## **Table of Contents**

Our transportation and handling of cargo exposes us to risks of catastrophes, mechanical and electrical failures, collisions and loss of assets. A portion of our freight activities involves petroleum products and other flammable materials, and the presence of such products may aggravate the effects of any catastrophe.

Because our insurance does not cover all potential risks and losses we may incur, the occurrence of a natural disaster of large proportions, catastrophes, mechanical failures, loss of assets or any other of the events referred to above, and any resulting damage to our business, may have a material adverse effect on our business, operating results and financial condition, including as a result of civil, administrative and/or criminal sanctions relating to environmental liability (including civil, administrative and/or criminal sanctions of such nature imposed on our management).

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

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

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

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

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

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

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

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

---

**Table of Contents**

***Rumo's significant debt could adversely affect its financial health and prevent Rumo from fulfilling its debt obligations, which would have a material adverse effect on us, our financial condition and our results of operations.***

Rumo has a significant amount of debt. As of December 31, 2015, Rumo's gross debt was R\$8.6 billion, of which R\$1.4 billion was short-term debt. Rumo's indebtedness as of December 31, 2015 was 994.1% higher than its indebtedness as of December 31, 2014 due to the debt incurred in connection with the ALL Acquisition as well as the consolidation of its operations.

Rumo's debt level and the composition of its debt could have important consequences on its business. For example, it could: (1) require Rumo to reserve a substantial part of its operational cash flows to pay principal and interest on its debt, which will reduce the availability of cash flow to fund working capital, capital expenditures, acquisitions and investments; (2) limit its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates; (3) limit its ability to borrow additional funds, obtain bank guarantees or collateral insurance and generally increase its borrowing costs; and (4) place Rumo at a competitive disadvantage compared to our competitors that have less debt.

Any of the aforementioned developments could have a material adverse effect on us, our financial condition and our results of operations.

***Significant deterioration in Rumo's short-term liquidity could materially affect our business, results of operations and financial condition.***

Until the ALL Acquisition, the cash generated by Rumo's operations relative to its indebtedness at the time was sufficient to sustain Rumo's operations. Since the ALL Acquisition, Rumo's financial condition has been deteriorating and Rumo is facing significant issues in our short-term liquidity. As of December 31, 2015, Rumo's cash flow had a negative balance of R\$2,172.4 million.

If Rumo fails to improve its short-term liquidity, it may face difficulties in fulfilling its obligations relating to financing agreements, and agreements with suppliers and/or subcontractors, among others. For example, as of December 31, 2015, its material contractual financial obligations maturing in less than one year totaled R\$3,806.0 million, while such obligations with maturities between one to two years totaled R\$3,776.0 million (based on Rumo's contracted undiscounted cash flow).

Rumo's failure to comply with these obligations and/or other undertakings may have a material adverse effect on our business, results of operations and financial conditions.

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

Rumo leases 118,434.38 square meters of property located in the port of Santos (state of São Paulo), which has two docking cradles for loading sugar and solid agricultural bulk (corn and soy). This property is leased pursuant to lease agreement PRES-05/96, which matures on March 6, 2036. Pursuant to Article 57 of the Ports Modernization Law and Article 19 of Decree No. 8,033/2013, a renewal of the maturity for the Lease Agreement is not possible because the lease has already been renewed once. Pursuant to the lease agreement, Rumo has an obligation to make investments totaling an estimated R\$308 million.

Rumo also holds equity interests in: (1) Terminal XXXIX and the adjacent areas for moving agricultural products and bulk as well as other goods capable of being transported in those port installations, through a port lease agreement due to expire in 2022; (2) facilities, equipment and track for rail transport of goods and import/export through the right bank of the port of Santos, by means of a lease agreement with Portofer Transporte Ferroviário Ltda. due to expire in 2025; (3) Terminal de Granéis do Guarujá (TGG) located on the left bank of the port of Santos, for the transport of solid and liquid bulk, through an area used by ALL America Latina Logística Malha Norte S.A., or Malha Norte, via a leasing agreement due to expire in 2022; and (4) Terminal Marítimo do Guarujá (TMG), located on the left bank of the port of Santos, mainly for the transport of solid and liquid bulk, through an area used by Malha Norte via a lease agreement due to expire in 2022.

There are ongoing legal proceedings regarding whether the lease agreements (as amended) relating to Terminal XXXIX, Terminal de Granéis do Guarujá and Terminal Marítimo do Guarujá should be subject to the public procurement regime. These proceedings are currently under appeal in the Brazilian superior courts (*Superior Tribunal de Justiça* and *Supremo Tribunal Federal*). With regards to the Portofer lease agreement, there is an ongoing investigation by the Brazilian Federal Prosecutors Office, of a non-criminal nature, to assess the legal validity of the agreement.

---

**Table of Contents**

If Rumo fails to comply with the applicable regulatory rules or contractual obligations, its lease may be terminated early pursuant to the Concessions Law (Law No. 8,987/1995), which applies to port leases. Below is a list of the termination events applicable to the port lease agreements:

expiration (in 2036, the year of maturity);

*encampação*, which is the possibility of expropriation of the port concessions by the granting authority during the contractual term. Such expropriation must be for public interest, performed pursuant to applicable authorizing law and accompanied by the payment of an indemnity for investments not yet depreciated, if applicable;

a statement of *caducidade*, which occurs, at the granting authority's sole discretion, in case of total or partial non-performance of the lease, without prejudice to the application of other contractual penalties. The *caducidade* may be declared under the following circumstances: (1) the service is not being provided adequately (i.e., there has been a breach of the minimum transport requirements); (2) failure to undertake the investments stipulated in the agreement; (3) breach of contractual obligations; (4) transfer of the agreement without prior consent from the granting authority; (5) obstruction of audits carried out by the granting authority; (6) changes to the contractual objective; (7) failure to maintain or conserve the leased facilities; (8) default in financial obligations set out in the agreement; or (9) loss by us of the economic, technical and operating conditions required for the adequate provision of services set out in the agreement. The statement of *caducidade* must be preceded by the verification of the default in an administrative proceeding in connection with which we have a right of defense;

termination by the lessee in the event of breach of contractual provisions or rules established by the granting authority by means of judicial action for this specific purpose;

annulment; and

bankruptcy or extinction of the lessee.

The lease agreements and applicable legislation confer several rights of the granting authority pursuant to the specific rules and regulations for the industry. Accordingly, there are contractual provisions that allow, among other things, amendments to the agreement, assignment and/or transfer of the lease agreement (the latter subject to prior consent from the granting authority), provided, however, that all amendments to the agreement must abide by the rules and proceedings set out in the specific law or regulation.

Termination of Rumo's port lease agreements may adversely impact Rumo's transportation costs and the turnaround time for the export of its products, as well as its revenues from service agreements related to port facilities.

In addition, port assets deemed essential to the continuity of port operations will revert to the granting authority upon expiration of the concession. The reversion following expiration is subject to indemnification for investments in assets not yet amortized or depreciated which were undertaken to guarantee service continuity. Upon termination of the

concession, it is possible that the investments made in those assets will have not been entirely amortized or depreciated. In this case, Rumo and the granting authority will negotiate the amount of any indemnification for such investments, to the extent such investments have been previously approved by the granting authority. As the final decision on this amount will be made solely by the granting authority, Rumo's financial condition may be negatively impacted if indemnification eventually approved is not sufficient to compensate us for the investments made.

Any of the aforementioned developments may have a material adverse effect on our business, results of operations and financial condition.

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

Until December 6, 2012, port operations in Brazil were governed by Federal Law No. 8,630/1993, or the Ports Modernization Law, which provided the legal framework applicable to the development and operation of ports and port facilities in Brazil. To improve the applicable legislation, the Brazilian government enacted Law No. 12,815/2013, or the New Ports Law, which has been regulated by Decree No. 8,033/2013. Such law revoked the Ports Modernization Law and established a new legal framework for port operations in Brazil. As a result, public ports are governed by the New Ports Law and by specific complementary regulations enacted at the federal level, particularly by the *Agência Nacional de Transportes Aquaviários* and by the *Secretaria Especial de Portos da Presidência da República*, or SEP.

---

## **Table of Contents**

Pursuant to the New Ports Law, there is no longer a distinction between third-party and own cargo handled at private port terminals, i.e., the activities carried out in private terminals will be identical to those performed at public terminals with respect to the rendering of services. As a result, public ports are expected to face higher competition from the potential increase in development of operations in private ports. Accordingly, new port lease grants may be carried out by the Federal Government, which may affect inter and intra-port competition. Finally, we may not be able to meet the minimum cargo volumes provided for in our port lease agreements, which may subject us to fines and, upon repeated violations, to the early termination of the relevant grants.

Although the New Ports Law does not retroactively adjust the terms of any concession agreement currently in effect, it is possible that the supplemental regulations provide for such retroactive adjustment (including by means of unilateral requirements from the granting authority). New regulations applicable to port operations in Brazil that modify the terms of our grant documents may materially and adversely affect Rumo's results of operations.

### ***The early termination of Rumo's Brazilian railway concessions may have a material adverse effect on our business.***

Brazilian railway concessions are subject to early termination in certain circumstances, including the Brazilian authorities reassuming control of the service pursuant to applicable law or by the termination of the relevant concession for breach of any underlying contractual agreements, in particular the inadequate provision of rail transportation services provided for in the concession agreements. Pursuant to Federal Law No. 8,987/1995, concession agreements may be terminated as a consequence of: (1) expiration of the contractual term; (2) seizure of the service by the granting authority during the concession term to the benefit of the public interest (i.e., *encampação*); (3) annulment (*caducidade*); (4) termination; (5) annulment; (6) bankruptcy; or (7) expiration of the concession-holding entity.

Upon termination of a concession, the leased or operated assets revert to the granting authority, and the amount of compensation received may not be sufficient to cover the losses incurred by us as a result of such early termination. In addition, certain creditors may have priority with regards to such compensation.

We cannot guarantee that the Brazilian authorities will not terminate Rumo's railway concessions prior to their stated terms (i.e., apply *encampação* with respect to the concessions) in the future. Any such action by the Brazilian authorities would have a material adverse effect on our business, financial condition and results of operations.

Rumo may also suffer a material adverse effect to its business, financial condition and results of operations because the networks for rendering railroad services are interconnected. Rumo's concession agreements and regulations issued by the Brazilian transport regulator the National Land Transport Agency ( ANTT ) pursuant to Resolution No. 3,965/2011, provide for the creation of passage rights and mutual traffic. Passage rights are a transaction under which a concessionaire that needs to move cargo from one location within the federal railroad network to another may use (for a fee) the permanent railroad and train-licensing system of another concessionaire. Mutual traffic is a transaction in which a concessionaire shares a permanent railroad or operational resources with another concessionaire (for a fee), to render or cease rendering railroad transportation of cargo services. Accordingly, the early termination of a certain concession may adversely affect passage rights and/or mutual traffic transactions carried out by Rumo and result in negotiations with other entities rendering railroad transport services through Rumo's rail network.

In addition, Rumo's business may be materially adversely affected if Rumo breaches its contractual and legal obligations. The failure to comply with the obligations set forth in the concession agreements by entities controlled and related to Rumo in the applicable laws and regulations may result, without prejudice of any other consequences provided for in applicable law, in civil liability and fines. The severity of the penalties to be imposed by the granting

authority depends on the nature and seriousness of the actions of our controlled and related entities. If the granting authority imposes penalties due to infractions committed by our controlled and related entities, our reputation, business, financial condition and results of operations may be materially and adversely affected.



---

**Table of Contents**

***The early extensions of the ALL America Latina Logística Malha Paulista S.A., or Malha Paulista, and ALL America Latina Logística Malha Sul S.A., or Malha Sul, concession agreements, currently under review by the ANTT, may not be obtained, which may have a material adverse effect on Rumo's investment plan and growth strategy.***

The concession agreements for Malha Paulista and Malha Sul expire in 2027 and 2028, respectively. In September 2015, Rumo filed formal requests with the ANTT for early extensions of such agreements. Such requests are under review by the ANTT, with the Malha Paulista request expected to be finalized by the end of the first half of 2016. We cannot guarantee, given that the decision relating to the extension is a discretionary decision of the granting authority, that such concessions will be renewed early or at all.

Pursuant to Rumo's current investment plan, one of the pillars of Rumo's growth strategy is substantial long-term and short-term investment in its rail network, including investments in Malha Sul and Malha Paulista, with the intent of improving our results through an increase in the volume of transported cargo and operational efficiency. If the formal requests for extension of the Malha Sul and/or Malha Paulista concession agreements with the ANTT are not approved, Rumo will not make the expected investments into the rail networks covered by such concessions. Under this scenario, if Rumo is unable to identify other comparable investments, Rumo may not be able to fulfill its investment plan and growth strategy as currently envisaged, which may have a material adverse effect on its and our business, financial condition and results of operations.

***Rumo's Brazilian rail tariffs are subject to a maximum rate established by the Brazilian government.***

Under Rumo's rail network concession agreements, tariffs for Rumo's rail freight services are subject to a maximum rate. Maximum tariff rates are adjusted annually for inflation according to variations in the IGP-DI index (or a substitute index) in accordance with applicable Brazilian law or concession agreements. Additionally, the tariffs Rumo charges for rail freight services on its rail network can be revised upwards or downwards if there is a justified, permanent market and/or costs change that may alter the rail network concession agreements' economic and financial equilibrium, or as determined by the Brazilian government every five years. Rumo's tariffs are currently below the maximum tariff levels allowable under our concession agreements. In 2012, the ANTT implemented a review of reference rates that altered the original methodology for defining such rates. The use of revised rate charts could affect our capacity to generate revenues, as such review revised most rates downwards and established a cap for Malha Norte's operations, which originally was not subject to a cap. Before the ALL Acquisition, ALL obtained an injunction suspending the application of such revised rate charts by the ANTT and, therefore, is not subject to them. However, we cannot assure you that in the future tariffs will be set at a level that would permit Rumo to continue to operate profitably.

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

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

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

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

## **Table of Contents**

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

See Item 5. Operating and Financial Review and Prospects Principal Factors Affecting Our Results of Operations Acquisitions, Partnerships and Corporate Restructurings. We have also recently entered into agreements to acquire additional companies See Item 4. Information on the Company A. History and Development of the Company.

### ***We are subject to extensive environmental regulation.***

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

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

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

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

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

the issuance and renewal of environmental licenses and authorizations;

the generation, storage, handling, use and transportation of hazardous materials;

sugarcane burning;

the conservation of soil and water resources;

the protection of riparian vegetation and the recovery of water sources;

the emission and discharge of hazardous materials into the ground, air or water; and

the health and safety of our employees.

---

**Table of Contents**

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

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

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

***We may be held liable for environmental damage caused to communities located in proximity of our concession areas.***

The Brazilian Federal Constitution of 1988 (Article 225, § 3rd) sets out three tiers of environmental liability: administrative, criminal, and civil. We may be held liable for damages caused to communities located in proximity to the concession areas whenever environmental damage occurs. In addition, especially as a result of the moving of hazardous materials by us, we may be held liable for the health and safety of our employees if we do not comply with work safety and environmental rules.

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

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

financial performance and our ability to successfully implement our business strategy.

**Table of Contents**

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

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

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

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

catastrophic events, including hurricanes and floods;

environmental remediation;

labor difficulties (including work stoppages, strikes and other events); and

disruptions in the supply of our products to our facilities or means of transportation.

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

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

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

Even though road and rail improvement projects have been considered for some areas of Brazil, and in some cases implemented, substantial investments are required for road and rail improvement projects, which may not be

completed on a timely basis if at all. Any delay or failure in developing infrastructure systems could hurt the demand for our products, impede our delivery of products or impose additional costs on us. We currently outsource the transportation and logistics services necessary to operate our business. Any disruption in these services could result in supply problems at our processing plants and impair our ability to deliver processed products to our customers in a timely manner. In addition, a natural disaster or other catastrophic event could result in disruption in regional transportation infrastructure systems affecting our third-party transportation providers.

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

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



**Table of Contents**

***Significant increases in the cost of inputs required for our activities may adversely affect our results of operations.***

We are subject to increases in the prices of inputs and services we acquire from suppliers and service providers to conduct our activities, such as fuel, machine parts or workforce. The cost and availability of our inputs depend on factors that are beyond our control, and we cannot predict when such costs may be readjusted. If we cannot pass on the increased costs of providing services onto our clients, this may materially and adversely affect our business, results of operations and financial condition.

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

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

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

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

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

We are involved in a significant number of tax, civil and labor proceedings as to which, at December 31, 2015, we recorded a provision totaling R\$1,193.9 million for proceedings in which we deem the risk of loss as probable and had net of judicial deposits or restricted bank accounts totaling R\$680.2 million. We cannot predict whether we will prevail in these or other proceedings, or whether we will have to pay significant amounts, including penalties and interest, as payment for our liabilities, which would materially and adversely impact our business and financial performance.

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

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

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

We rely on obtaining financing and refinancing of existing loans in order to operate our business, implement our strategy and grow our business. We need bank guarantees to obtain credit facilities and we typically need insurance guarantees in order to participate in court proceedings to which we are a party.

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

---

**Table of Contents**

If we are unable to obtain new financing or to refinance existing loans when necessary, or obtain or renew insurance guarantees on reasonable terms or at all, we may not be able to comply with our financial obligations, or explore business opportunities, and responding to competitive pressures may become challenging. This would have a material adverse effect on our business, financial condition and results of operations.

***Rumo may not have access to new financing on favorable conditions to meet its capital needs and fulfill its financial obligations.***

Rumo relies on obtaining financing and refinancing of existing loans, particularly from BNDES, in order to operate its business, implement its strategy and grow its business. Rumo needs bank guarantees to obtain credit facilities from both BNDES and banks, and typically needs insurance guarantees in order to participate in court proceedings to which it is a party. Recent disruptions in the global credit markets and their effect on the global and Brazilian economies could affect Rumo's ability to raise capital and materially and adversely affect Rumo's business.

Substantial volatility in the global capital markets, unavailability of financing in the global capital markets at reasonable rates and credit market disruptions have had a significant negative impact on financial markets, as well as on the global and domestic economies. In particular, the cost of financing in the global debt markets has increased substantially, greatly restricting the availability of funds in such markets. Further, volatility in the markets has led to increased costs for obtaining financing in the credit markets, as many creditors have raised interest rates, adopted more rigorous loan policies, reduced volume and, in some cases, ceased offering financing to borrowers on reasonable terms.

If Rumo is unable to obtain new financing or to refinance existing loans when necessary, or obtain or renew insurance guarantees on reasonable terms or at all, Rumo may not be able to comply with its financial obligations or explore business opportunities. This would have a material adverse effect on Rumo's business, financial condition and results of operations.

***Volatility and uncertainty in fuel prices may affect Rumo's operating costs and competitive position, which could materially and adversely affect Rumo's results of operations, cash flows and financial condition.***

All of the locomotives Rumo operates are diesel-powered, and Rumo's fuel expenses are significant. If increases in fuel prices cannot be passed on to Rumo's customers through Rumo's tariffs, Rumo's operating margins could be materially and adversely affected.

Fuel prices have historically been volatile and may continue to be volatile in the future. Fuel prices are subject to a variety of factors that are beyond Rumo's control, including, but not limited to, consumer demand for, and the supply of, oil, processing, gathering and transportation availability, price and availability of alternative fuel sources, weather conditions, natural disasters and political conditions or hostilities in oil-producing regions, as well as political factors relating to the governmental price policies applied by Petrobras.

***Rumo may not have sufficient funds to invest in technology, which may adversely affect Rumo's ability to increase its rail transportation capacity and reduce accidents.***

The development and implementation of new technologies may result in a significant reduction in the cost of logistics services and a reduction in accidents. We cannot predict when new technologies may become available, the rate of acceptance of new technologies by competitors or the costs associated with such new technologies. Rumo may not have enough funds to keep up with advances in technology, which could reduce demand for the logistics services Rumo provides and affect Rumo's capacity to reduce accidents in its activities.

***The exercise of an option granted under the shareholders' agreement of one of Rumo's subsidiaries, Brado Logística, may have a material adverse effect on Rumo's financial condition or result in a dilution of shareholders' equity interest in Rumo.***

Fundo de Investimento do Fundo de Garantia do Tempo de Serviço ( FI-FGTS ), Logística Brasil - Fundo de Investimento em Participações ( FIP BRZ ), Deminvest Empreendimentos e Participações S.A. ( Deminvest ), Markinvest Gestão de Participações Ltda. ( Markinvest , referred to jointly with FIP BRZ and Deminvest, the Original Shareholders ) and Brado Holding S.A. ( Brado Holding referred to jointly with FI-FGTS and the Original Shareholders as the Brado Shareholders ) are party to a shareholders' agreement governing the investment in Brado Logística, Rumo's subsidiary active in the intermodal container logistics sector (the Brado Shareholders Agreement ).

---

**Table of Contents**

The Brado Shareholders Agreement provides that, to the extent the initial public offering of Brado LP has not occurred prior to March 31, 2014, the Brado Shareholders are entitled to swap the totality of their shares in Brado Logística for, at the discretion of the Brado Shareholders: (1) shares as provided for in the Brado Shareholders Agreement, or (2) an amount corresponding to the market value of such shares. The exchange ratio would be based on fair market value. If the Brado Shareholders do not reach consensus on the appraisal thereof, the fair market value would be based on independent appraisals carried out as provided for in the Brado Shareholders Agreement.

The option described above became exercisable on April 1, 2014 and was exercised on each of April 20 and 23, 2015. There is an ongoing confidential arbitration proceeding against ALL relating to the appraisal reports prepared by financial institutions appointed pursuant to the shareholders agreement of Brado Logística and the type of consideration (money or shares) due as a result of the exercise of the option. Rumo's external counsel estimates the chance of loss in such arbitration proceedings as possible and no provision has been made.

In addition, the exercise of the option by FI-FGTS may occur between the fifth and the seventh anniversary of the date of signing of the Brado Shareholders Agreement (which was August 5, 2013). FI-FGTS will lose the right to exercise its option if the aforementioned initial public offering is undertaken (even if such initial public offering is undertaken after the aforementioned dates).

The exercise of the option may result in: (1) disbursement of material amounts by Rumo, which may adversely affect Rumo's results of operations and financial condition; or (2) the issuance of new shares by Rumo in a quantity which may dilute the equity interests held by Rumo's shareholders.

***Downturns in certain cyclical market sectors in which Rumo's customers operate could have a material adverse effect on Rumo's business.***

The transportation and logistics industries are highly cyclical, generally tracking the cycles of the world economy. Accordingly, the transportation industry is affected by macroeconomic conditions and by various factors within each particular industry that may influence operating results. Some of Rumo's customers do business in highly cyclical markets, including the oil and gas and agricultural sectors.

Soybean harvests generally occur between January and May, corn harvests (which is mainly for export) generally occur between April and July and sugar harvests generally occur between March and November. These oscillations have a significant impact on demand for transportation of these commodities. For this reason, Rumo typically transports larger volumes of goods in the second and third quarters of each year and lower volumes in the off season (i.e., the first and fourth quarters of each year).

Any downturn in these industries may have a material adverse effect on Rumo's business, results of operations and financial condition. In addition, some of the products Rumo transports have shown a historical pattern of price cyclicity, which has typically been influenced by the general economic environment, industry capacity and demand. We cannot assure you that prices and demand for these products will not decline in the future, adversely affecting those industries and, in turn, Rumo's business, results of operations and financial condition.

***Rumo operates in a competitive industry, and if it is unable to adequately address factors that may adversely affect its revenue and costs, Rumo's business could suffer.***

Competition in the transportation services industry is intense and includes:

competition with other transportation modes, such as road freight;

competition with alternative export options for agricultural products through other ports (particularly in the north region of Brazil) to the detriment of the ports of Santos (state of São Paulo) and Paranaguá (state of Paraná) and São Francisco do Sul (state of Santa Catarina);

dependence on operating quality and port and terminal capacity;

the limitations established by the maximum tariffs established by the ANTT;

a reduction in road tariffs, particularly during times of declining growth rates in the economy or low demand from agricultural producers, which may limit Rumo's ability to maintain or increase rates, operating margins or growth of its business; and

establishment of cooperative relationships by Rumo's competitors to increase their ability to address shipper needs.

---

**Table of Contents**

Rumo's main competitors are companies in the truck transportation business, which has historically been the main cargo transportation mode in Brazil. According to CNT, in 2015 trucks transported 61% of Brazil's production, while only 21% of that production was transported by rail, and 14% on waterways and through coastal shipping. Although Rumo plans to capture market share from the truck transportation business for medium- and long-distance transportation to further expand our intermodal services, any new measures by the Brazilian government that lower costs for road transportation, such as cheaper toll fares or permanent suspension of the toll-road concession program, may limit Rumo's growth prospects.

Increased competition may lead to decreases in Rumo's revenues, smaller profit margins or loss of market share. If, Rumo is unable to compete adequately, this may adversely impact Rumo's business, financial condition and results of operations.

***Rumo operates in a regulated environment, and measures taken by public authorities may impact its activities.***

Rumo's railroad concession agreements have been entered into with the Brazilian Ministry of Transportation (acting as granting authority when the grants took place), later substituted by the ANTT after the enactment of Federal Law No. 10,233/2001. Rumo's operations take place in a regulated environment because concessions agreements are administrative contracts (such that the public administration may determine the imposition of unilateral measures such as the modification of contractual matters). The ANTT has the legal authority to regulate rail activities in the country (by means of the enactment of applicable regulations).

Therefore, notwithstanding the concessionaire's right to maintain the financial equilibrium of the concession agreement, actions taken by the public administration in general may affect the services rendered by Rumo. For example, if (1) new obligations are imposed; (2) additional investments not originally provided for in the concession agreements are required as a result of unilateral measures provided for in the statute or through the creation of new regulations by the ANTT; (3) the scope of the concession agreements is reduced or certain actions taken by Rumo are rejected or not given effect (such as anticipated concession renewals, extensions of grants in force or extensions under conditions not favorable to us), Rumo's economic-financial condition and operating results may be adversely affected.

Moreover, the ANTT carried out the *Tomada de Subsídios 008/2015*, seeking public proposals for plans regarding the early extension of railroad concession agreements currently in effect. Such extension has the following objectives: (1) obtaining new investments in rail networks aiming at: (a) an increase in transportation capacity; (b) an increase in safety of railroad transportation; and (c) improvements to the quality of rail infrastructure and to asset management efficiency; (2) conforming the concession agreements to the best regulation practices under the current legal framework; and (3) sharing railroad infrastructure and operational resources among concessionaires, authorized entities and transporters of cargo. Article 23, I and XII of Brazilian Federal Law No. 8,987/95 provides that concession agreements entered into by the granting authority and concession holders during the proceedings for the privatization of the federal railroad network in the 1990s must include clauses regarding the duration of the concession and the conditions applicable to any extension thereof.

In order to commence the concession renewal process, the concession holder must express its interest in doing so and the ANTT, in its capacity as the granting authority, must analyze any extension requests based on the guidelines set by the Brazilian Ministry of Transportation by means of Ruling No. 399/15.

Accordingly, transportation agreements currently in force, certain investments planned by Rumo or by users of the railroad network, as well as the rendering of railroad services by Rumo in the long term, may be adversely affected in the event the anticipated extensions are not granted by the ANTT or if requirements for extensions of the concessions are denied upon the expiration or the maturity of such concessions.





---

**Table of Contents**

***Our significant debt could adversely affect our financial health and prevent us from fulfilling our debt obligations, which would reduce our ability to raise capital to finance our investments and operations and would adversely impact our ability to recover from economic changes.***

We have a significant amount of debt. As of December 31, 2015, our gross debt was R\$18.8 billion, of which R\$2.8 billion was short-term debt. Our indebtedness as of December 31, 2015 was 121.5% higher than our indebtedness as of December 31, 2014 due to the ALL Acquisition.

Our debt level and the composition of our debt could, among other things: (1) require us to reserve a substantial part of our operational cash flows to pay principal and interest on our debt, which will reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and investments; (2) limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate; (3) limit our ability to borrow additional funds, obtain bank guarantees or collateral insurance and generally increase our borrowing costs; and (4) place us at a competitive disadvantage compared to our competitors that have less debt.

Any of the aforementioned developments could have a material adverse effect on us, our financial condition and our results of operations.

***We may be unable to comply with restrictive covenants under our financing agreements.***

We are subject to certain restrictive covenants based on certain financial and non-financial indicators which are set forth in the majority of the indebtedness and finance agreements to which we are a party. The majority of such covenants relate to requirements to comply with certain pre-determined levels of leverage.

Any failure by us to comply with the restrictive covenants in our credit agreements as a result of adverse conditions in our business environment may trigger the acceleration of part of our indebtedness, limit our access to new credit facilities as well as adversely affect our business and results of operations.

***We may raise additional capital in the future for strategic partnerships or by issuing securities, which may result in a potential dilution of your equity interest.***

We are constantly analyzing alternatives and considering the possibility of entering into strategic partnerships, disposing of assets, raising additional capital through a public or private issuance of shares and/or securities convertible into or exchangeable for shares. Any strategic partnership, issuance or placement of shares and/or securities convertible into or exchangeable for shares may affect the market price of our shares and could result in dilution of your equity interest.

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

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

operations. Moreover, we will be subject to the risk that we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a materially adverse effect on our business, financial condition and results of operations.

***We concluded the merger of Rumo and ALL to further develop our logistics businesses on April 1, 2015. We cannot guarantee that the new company will be successful.***

On April 1, 2015, we concluded the merger between Rumo and ALL, focus on the full logistics solution (rail and port). We may incur unanticipated expenses, fail to realize all anticipated benefits or synergies, disrupt relationships with current and new employees, customers and vendors, incur indebtedness or fail to successfully negotiate with the ANTT favorable future conditions for long term investment plans.

---

**Table of Contents**

***We may be unable to implement our growth strategy successfully.***

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

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

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

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

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

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

Shell and Cosan have entered into certain definitive agreements with respect to the Joint Venture that are subject to various put and call options and termination provisions that if triggered would cause the Joint Venture, or our participation in it, to terminate prior to the scheduled expiration date of the agreements in June 2031. Under the shareholders' agreements Cosan and Shell have granted each other reciprocal call options. On the tenth anniversary of the June 2011 closing, Shell will have a call option to buy half or all of Cosan's equity interests in the Joint Venture. Cosan will have the right to elect whether it would sell half or all of its Joint Venture equity interests to Shell after the exercise of Shell's option in that year. On the fifteenth anniversary of the June 2011 closing, one party will have the right to buy all or a portion of the other party's equity stake in the Joint Venture. There will also be call and put options in certain other limited circumstances, including in the event of a fundamental breach by either party and in the case of the death or disability of Cosan's Chairman. See Item 7. Major Shareholders and Related Party Transactions A. Major Shareholders' Shareholders' Agreements and Other Arrangements Agreements Between Shell and Cosan.



---

**Table of Contents**

We granted a put option of Comgás shares to Shell Gas B.V., Integral Investments B.V. ( Shell ) a shareholder in Comgás exercisable in three annual tranches, beginning on September 20, 2015, with the last one maturing on October 19, 2017. If exercised, Cosan Limited will receive all the shares of Comgás held directly and indirectly and deliver to Shell 30,917,231 shares issued by Cosan S.A. and held by Cosan Limited .

Moreover, Radar s shareholders agreement sets forth mutual put options between us and Mansilla Participações S.A., or Mansilla, to acquire up to all of Radar s properties or each other s shares upon notice during specific five-day periods, the first on the tenth anniversary of the initial closing date of the subscription agreement between the parties and the each subsequent 18-month period after the first put date. See Item 7. Major Shareholders and Related Party Transactions A. Major Shareholders Cosan S.A. RADAR.

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

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

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

With respect to the results of Raízen our management evaluates the results of Raízen Energia and Raízen Combustíveis on the same basis they are evaluated by the management of Raízen, which is on a 100% basis. Upon the application of IFRS 11, the Company retrospectively changed the accounting for its investments in Raízen Combustíveis and Raízen Energia, classifying them as jointly controlled entities (Joint Ventures) under the new standard. As such, for the year ended December 31, 2013, the Company accounted for these joint ventures under the equity method as opposed to the proportional consolidation method applied until March 31, 2013, and the accounting for the joint ventures for the fiscal year ended March 31, 2013 has been restated for the impacts of retrospectively adopting IFRS 11.

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

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

---

**Table of Contents**

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

Our controlling shareholder and chairman, has the power to indirectly control us, including the power to:

elect a majority of our directors and appoint our executive officers, set our management policies and exercise overall control over our Company and subsidiaries;

agree to sell or otherwise transfer his controlling stake in our Company; and

determine the outcome of substantially all actions requiring shareholder approval, including transactions with related parties, corporate reorganizations, acquisitions and dispositions of assets, and dividends.

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

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

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

**Risks Related to Brazil**

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

The Brazilian economy has been characterized by frequent and occasionally extensive intervention by the Brazilian government and unstable economic cycles. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Brazil's economy. The Brazilian government's actions to control inflation have at times involved setting wage and price controls, blocking access to bank accounts, imposing exchange controls and limiting imports into Brazil. For example, on October 26, 2014, President Dilma Rousseff was re-elected following a tightly contested presidential election campaign. President Dilma Rousseff's second term has been characterized by significant discontent among certain segments of the Brazilian population as evidenced by widespread protests. Such discontent is attributable to developments such as the worsening Brazilian economic scenario (including an increase in inflation and fuel prices as well as rising unemployment), the perception of widespread corruption (including accusations relating to the widely reported Petrobras corruption scandal) and water shortages in certain areas of Brazil as well as the potential for severe water and electricity rationing following a

decrease in rainfall and water reservoir levels throughout Brazil. President Dilma Rousseff's administration has sought to enact measures to counteract these developments, including tax increases and cost-cutting measures, certain of which have been opposed by members of the principal opposition party and President Dilma Rousseff's own ruling party, among other political parties. Moreover, President Dilma Rousseff is currently subject to impeachment proceedings. We have no control over, and cannot predict, what policies or actions the Brazilian government may take in the future.

**Table of Contents**

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

inflation;

exchange rate movements;

exchange rate control policies;

interest rate fluctuations;

liquidity available in the domestic capital, credit and financial markets;

expansion or contraction of the Brazilian economy, as measured by rates of growth in gross domestic product, or GDP ;

ports, customs and tax authorities strikes;

changes in transportation market regulations;

price increases of oil and other inputs;

price instability;

social and political instability;

fiscal policies; and

other economic, political, diplomatic and social developments in or affecting Brazil.

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



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

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

The recent economic instability in Brazil caused by the rise of inflation, a slowdown in GDP growth, and uncertainty as to whether the Brazilian government will enact the necessary economic reforms in 2016 to improve Brazil's deteriorating fiscal accounts and economy have led to a decline in market confidence in the Brazilian economy and a government crisis.

Political demonstrations in Brazil and the street protests which started in mid-2013 and continued in 2014 and 2015, demonstrated the public's dissatisfaction with corruption and certain political measures, have also adversely affected the development of the Brazilian economy and investors' perceptions of the Brazilian economy. Additionally, the corruption allegations regarding oil and gas companies and Brazil's state-owned oil company brought to light by the judicial investigation known as Lava Jato have raised investors' risk aversion with regard to Brazil, as observed by us.

Furthermore, the President of Brazil, elected in 2010 and re-elected in 2014, has the power to define the policies and actions of the Brazilian government in relation to the Brazilian economy and thereby affect the operations and financial performance of Brazilian companies. The Brazilian government may be subject to internal pressure to change its current macroeconomic policies in order to achieve higher rates of economic growth. We cannot predict what policies will be adopted by the Brazilian government. Moreover, in the past, the Brazilian economy has been affected by the country's political events, which have also affected the confidence of investors and the public in general, thereby adversely affecting the performance of the Brazilian economy. Furthermore, any indecisiveness by the Brazilian government in implementing changes to certain policies or regulations may contribute to economic uncertainty in Brazil and heightened volatility for the Brazilian securities markets and securities issued abroad by Brazilian companies. Recently, political coalitions have arisen and have challenged certain actions and the authority of the President of Brazil, and some have filed legal proceedings to initiate impeachment proceedings to have the President of Brazil removed from office.

---

**Table of Contents**

In addition, the Federal Court of Accounts (*Tribunal de Contas da União*) recently recommended not to approve Brazil's fiscal accounts for the fiscal year 2014. These recent events have contributed to an increase in the economic and political instability in Brazil.

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

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

Brazil has experienced extremely high rates of inflation in the past and has therefore implemented monetary policies that have resulted in one of the highest interest rates in the world. According to the General Market Price Index (*Índice Geral de Preços Mercado*), or IGP-M, a general price inflation index, the inflation rates in Brazil were, 5.1% in 2011, 7.8% in 2012, 5.5% in 2013, 3.7% in 2014 and 10.5% in 2015. In addition, according to the National Extended Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), published by the IBGE, the Brazilian price inflation rates were 6.5% in 2011, 5.8% in 2012, 5.9% in 2013 and 6.4% in 2014. Despite the Brazilian Central Bank's repeated increases of interest rates during the period from 2013 to 2015, inflation has continued to increase, reaching 10.7% in 2015 (the highest level recorded since November 2003), and reaching 9.4% for the twelve-month period ending April 2016.

The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. The Brazilian government's measures to fight inflation, principally through the Brazilian Central Bank, have had and may in the future have significant effects on the Brazilian economy and our business.

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

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

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

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

---

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

The Brazilian currency has during past decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. In the past, the Brazilian government has implemented various economic plans and exchange rate policies, including sudden devaluations and periodic mini-devaluations, during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. There have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies.

However, during 2015, due to the poor economic conditions in Brazil, including as a result of political instability, the *real* has devalued at a rate that is much higher than in previous years. On September 24, 2015, the *real* fell to the lowest level since the introduction of the currency, at R\$4.195 per U.S.\$1.00. Overall in 2015, the *real* depreciated 47%, reaching R\$3.905 per U.S.\$1.00 on December 31, 2015. In early 2016, the *real* appreciated against the U.S. dollar, primarily as a result of Brazil's changing political conditions whereby markets reacted favorably to the impeachment proceedings against President Dilma Rousseff and the increased likelihood of a change in the current governing regime. On April 26, 2016, the exchange rate was R\$3.53 per U.S.\$1.00. There can be no assurance that the *real* will not depreciate or appreciate further against the U.S. dollar.

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

Because a substantial portion of our indebtedness is, and will continue to be, denominated in or indexed to the U.S. dollar, our foreign currency exposure related to our indebtedness as of December 31, 2015 was R\$6,653 million. We manage a portion of our exchange rate risk through foreign currency derivative instruments, but our foreign currency debt obligations are not completely hedged. In addition, a devaluation of the *real* would effectively increase the interest expense in respect of our U.S. dollar-denominated debt.

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

Our performance depends on the overall health and growth of the Brazilian economy. Brazilian gross domestic product (GDP) growth has fluctuated over the past few years, with growth of 1.8% in 2012, improving to 2.7% in 2013 but decreasing to 0.1% in 2014 and then to a contraction of 3.8% in 2015. Continued growth is limited by inadequate infrastructure, including potential energy shortages and deficient transportation, logistics and telecommunication sectors, the lack of a qualified labor force, and the lack of private and public investments in these areas, which limit productivity and efficiency. Any of these factors could lead to labor market volatility and generally impact income, purchasing power and consumption levels, which could limit growth and ultimately have a material

adverse effect on our business.

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

The market value of securities of Brazilian issuers is affected by economic and market conditions in other countries, including the United States, European countries, as well as in other Latin American and emerging market countries. Although economic conditions in Europe and the United States may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Additionally, crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including our securities. This could adversely affect the market price of our securities, restrict our access to capital markets and compromise our ability to finance our operations in the future on favorable terms, or at all.

In 2013, 2014 and 2015, there was an increase in volatility in all Brazilian markets due to, among other factors, uncertainties about how monetary policy adjustments in the United States would affect the international financial markets, the increasing risk aversion to emerging market countries, and the uncertainties regarding Brazilian macroeconomic and political conditions. These uncertainties adversely affected us and the market value of our securities.

---

**Table of Contents**

In addition, we continue to be exposed to disruptions and volatility in the global financial markets because of their effects on the financial and economic environment, particularly in Brazil, such as a slowdown in the economy, an increase in the unemployment rate, a decrease in the purchasing power of consumers and the lack of credit availability.

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

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

Our activities may be materially affected by policies and regulations from Brazilian and foreign federal, state and municipal government. Governmental policies affecting economic activity such as tariffs, taxes, subsidies and restrictions on the import and export of agricultural goods and commodities may influence the profitability of the industry as well as the volume and type of imports and exports.

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

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

The Brazilian government regularly implements changes to tax regimes that may increase the tax burden on Cosan S.A., its subsidiaries and jointly controlled entities and its customers. These changes include modifications in the rate of assessments and, on occasion, enactment of new or temporary taxes, the proceeds of which are earmarked for designated governmental purposes.

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

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

Cosan S.A. performed a full analysis of the provisions of Law 12,973, and concluded that there is no material impact on its 2015 financial statements as a result of the application of such law.

***The ongoing investigations regarding corruption in Brazil may adversely affect the growth of the Brazilian economy and could have a material adverse effect on our business.***

Petrobras (Brazil's state-owned oil company and one of the country's largest companies and a supplier of the Company) and certain Brazilian companies active in the oil and gas, energy, construction and infrastructure sectors are facing investigations by the CVM, the SEC, the Brazilian Federal Police and the Brazilian Federal Prosecutor's Office, the

Comptroller General of Brazil and other relevant governmental authorities, in connection with corruption allegations (the so called Lava Jato investigations). In addition, elected officials and other public officials in Brazil are also being investigated for allegations of unethical and illegal conduct identified during the new phase of the Lava Jato investigations, which began in July 2015.

Depending on the duration and outcome of such investigations, the companies involved may face a reduction in their revenues, downgrades from rating agencies or funding restrictions, among other negative effects. These investigations have had and may continue to have an adverse effect on Brazil's growth prospects in the near to medium term given the relatively significant weight in relation to the Brazilian economy of the companies cited in the investigation. Negative effects on a number of companies may also impact the level of investments in infrastructure in Brazil, which may lead to lower economic growth in the near to medium term.

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

---

**Table of Contents**

Persistently poor macroeconomic conditions in Brazil resulting from, among other things, the Lava Jato investigations and their consequences could have a material adverse effect on us.

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

There is a risk that our management, employees or representatives may take actions that violate applicable laws and regulations prohibiting the making of improper payments to foreign government officials for the purpose of obtaining or keeping business. Laws prohibiting such behavior include (but are not limited to) laws relating to the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions such as the U.S. Foreign Corrupt Practices Act. Any such violations may have a material adverse effect on our business.

In addition, on January 29, 2014, the Brazilian government enacted Law No. 12,846/13 (the Brazilian Antibribery Act ) imposing strict liability on companies for acts of corruption perpetrated by their employees. Under the Brazilian Antibribery Act, companies found guilty of bribery could face fines of up to 20% of their gross annual income for the previous year or, if gross annual income cannot be estimated, such fines could range from R\$6 thousand to R\$60 million. Among other penalties, the Brazilian Antibribery Act also provides for the disgorgement of illegally obtained benefits, the suspension of corporate operations, asset confiscation and corporate dissolution. The adoption of an effective compliance program may be taken into consideration by Brazilian authorities when applying a penalty under the Brazilian Antibribery Act. Accordingly, if we become involved in any investigations under the Brazilian Antibribery Act and if our compliance program is not deemed sufficiently effective by Brazilian authorities, our business could be materially adversely affected.

**Risks Related to Our Common Shares**

*We are a Bermuda company, and it may be difficult for you to enforce judgments against us or our directors and executive officers.*

We are a Bermuda exempted company, so that the rights of holders of our shares will be governed by Bermuda law and our by-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. All of our directors and some of the experts referred to in this annual report are not citizens or residents of the United States, and all of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on those persons in the United States or to enforce judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. federal or state securities laws. We have been advised by our Bermuda counsel, Attride-Stirling & Woloniecki, that uncertainty exists as to whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against us or our directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against us or our directors or officers under the securities laws of other jurisdictions. The United States and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based solely on U.S. federal or state securities laws, may not necessarily be enforceable in Bermuda.

*Bermuda law differs from the laws in effect in the United States and Brazil and may afford less protection to shareholders.*



Our shareholders may have more difficulty protecting their interests than shareholders of a company incorporated in the United States or Brazil. As a Bermuda company, we are governed by the Companies Act 1981. The Companies Act 1981 differs in material respects from laws generally applicable to U.S. or Brazilian corporations and their shareholders, including the provisions relating to interested directors, amalgamations, takeovers, shareholder lawsuits and indemnification of directors.

---

**Table of Contents**

Under Bermuda law, directors and officers of a company generally owe fiduciary duties to the company and not to individual shareholders. Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts may, however, in certain circumstances permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or by-laws. Consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for example, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it. The Companies Act 1981 imposes a duty on directors and officers to act honestly and in good faith with a view to the best interests of the company and to exercise the care and skill that a reasonably prudent person would exercise in comparable circumstances. Directors of a Bermuda company have a duty to avoid conflicts of interest. However, if a director discloses a direct or indirect interest in any contract or arrangement with us as required by Bermuda law, our by-laws provide that such director is entitled to be counted for quorum purposes, but may not vote in respect of any such contract or arrangement in which he or she is interested. In addition, the rights of our shareholders and the fiduciary responsibilities of our directors under the Companies Act 1981 are not as clearly established as under statutes or judicial precedent in jurisdictions in the United States, particularly in the State of Delaware.

***Provisions in our by-laws may discourage takeovers, which could affect the return on the investment of our shareholders.***

Our by-laws contain provisions that could make it more difficult for a third party to acquire us without the consent of our board of directors. These provisions provide, among other things, for:

a classified board of directors with staggered three-year terms;

restrictions on the time period in which directors may be nominated;

the affirmative vote of a majority of our directors in office and the resolution of the shareholders passed by a majority of votes cast at a general meeting or, if not approved by a majority of the directors in office, the resolution of the shareholders at a general meeting passed by 66 and 2/3% of all votes attaching to all shares then in issue for amalgamation and other business combination transactions; and

the tag-along rights described under Item 10. Additional Information B. Memorandum and By-laws Tag-along Rights.

These by-laws provisions could deter a third party from seeking to acquire us, even if the third party's offer may be considered beneficial by many shareholders.

***As a holding company, we may face limitations on our ability to receive distributions from our subsidiaries.***

We conduct all of our operations through subsidiaries and are dependent upon dividends or other intercompany transfers of funds from our subsidiaries to meet our obligations. For example, Brazilian law permits the Brazilian government to impose temporary restrictions on conversions of Brazilian currency into foreign currencies and on remittances to foreign investors of proceeds from their investments in Brazil, whenever there is a serious imbalance in

Brazil's balance of payments or there are reasons to expect a pending serious imbalance. The Brazilian government last imposed remittance restrictions for approximately six months in 1989 and early 1990. The Brazilian government may take similar measures in the future. Any imposition of restrictions on conversions and remittances could hinder or prevent us from converting into U.S. dollars or other foreign currencies and remitting abroad dividends, distributions or the proceeds from any sale in Brazil of common shares of our Brazilian subsidiaries. We currently conduct all of our operations through our Brazilian subsidiaries. As a result, any imposition of exchange controls restrictions could reduce the market prices of the class A common shares.

---

**Table of Contents**

***Our by-laws restrict shareholders from bringing legal action against our directors and officers and also provide our directors and officers with indemnification from their actions and omissions, although such indemnification for liabilities under the Securities Act is unenforceable in the United States.***

Our by-laws contain a broad waiver by our shareholders of any claim or right of action, both individually and on our behalf, against any of our officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of shareholders to assert claims against our officers and directors unless the act or failure to act involves fraud or dishonesty. Our by-laws also indemnify our directors and officers in respect of their actions and omissions, except in respect of their fraud or dishonesty. The indemnification provided in our by-laws is not exclusive of other indemnification rights to which a director or officer may be entitled, provided these rights do not extend to his or her fraud or dishonesty. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we understand that, in the opinion of the staff of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable in the United States.

***The sale, or issuance, of a significant number of our common shares may adversely affect the market value of our class A common shares.***

The sale of a significant number of our common shares, or the perception that such a sale could occur, may adversely affect the market price of our class A common shares. We have an authorized share capital of 1,000,000,000 class A common shares and 188,886,360 class B common shares, of which 174,355,341 class A common shares are issued and outstanding and 96,332,044 class B series 1 common shares are issued and outstanding as of December 31, 2015. Our by-laws establish that our board of directors is authorized to issue any of our authorized, but unissued share capital. Our shareholders at a shareholders general meeting may authorize the increase of our authorized share capital. As a result, we will be able to issue a substantial number of new shares after the lock-up period, which, if we decided to do so, could dilute the participation of our shareholders in our share capital.

***Actual dividends paid on our shares may not be consistent with the dividend policy adopted by our board of directors.***

Our board of directors has a dividend policy that provides, subject to Bermuda law, for the payment of dividends to shareholders equal to approximately 25% of our annual consolidated net income (as calculated in accordance with IFRS as issued by IASB). Our board of directors may, in its discretion and for any reason, amend or repeal this dividend policy. Our board of directors may decrease the level of dividends provided for in this dividend policy or entirely discontinue the payment of dividends. Future dividends with respect to our common shares, if any, will depend on, among other things, our results of operations, cash requirements, financial condition, distribution of dividends made by our subsidiaries, contractual restrictions, business opportunities, provisions of applicable law and other factors that our board of directors may deem relevant.

***To the extent we pay dividends to our shareholders, we will have less capital available to meet our future liquidity needs.***

Our business strategy contemplates substantial growth over the next several years, and we expect that such growth will require considerable liquidity. To the extent that we pay dividends in accordance with our dividend policy, the amounts distributed to our shareholders will not be available to us to fund future growth and meet our other liquidity needs.



## **Table of Contents**

*We may require additional funds in the future, which may not be available or which may result in dilution of the interests of shareholders in our company.*

We may need to issue debt or equity securities in order to obtain additional public or private financing. The securities that we issue may have rights, preferences and privileges senior to those of our shares. If we decide to raise additional capital through an offering of common shares, the participation of our shareholders in our share capital may be diluted. Moreover, additional funding that may be required in the future may not be available under favorable terms.

*The price of our class A common shares is subject to volatility.*

The market price of our class A common shares could be subject to significant fluctuations due to various factors, including actual or anticipated fluctuations in our financial performance, losses of key personnel, economic downturns, political events in Brazil or other jurisdictions in which we operate, developments affecting the ethanol and sugar industries, changes in financial estimates by securities analysts, the introduction of new products or technologies by us or our competitors, or our failure to meet expectations of analysts or investors.

## **Item 4. Information on the Company**

### **A. History and Development of the Company**

#### ***General***

We are a limited liability exempted company incorporated under the laws of Bermuda on April 30, 2007 for an indefinite term. Cosan Limited is registered with the Registrar of Companies in Bermuda under registration number EC 39981. Our commercial name is Cosan. Our registered office is located at Crawford House, 50 Cedar Avenue, Hamilton HM11, Bermuda. Our principal executive office is located at Av. Presidente Juscelino Kubitschek, 1,327 4th floor, São Paulo SP, 04543-011, Brazil and our general telephone and fax numbers are 55 11 3897-9797 and 55 11 3897-9799, respectively.

#### ***History***

Our history dates back to 1936 when the Costa Pinto mill was established by the Ometto family in the city of Piracicaba in the state of São Paulo, with annual sugarcane crushing capacity of 4.0 million tons. As of the mid-1980s, we began to expand our operations through the acquisition of various milling facilities in the state of São Paulo.

In 2004, Cosan S.A. conducted its first issuance of bonds in the international capital markets, raising US\$200 million in 5-year bonds, which matured in 2009. In 2005, it made the first public offering of shares by a producer of sugar and ethanol on the BM&FBOVESPA.

In 2007, our Class A common shares were listed on NYSE.

In 2008, Cosan S.A. began operating as a fuel distributor and lubricants producer following its acquisition of Esso Brasileira de Petróleo Ltda. or Essobras, which were Exxon Mobil's assets in Brazil. Essobras was a distributor and seller of fuels and producer and seller of lubricants and specialty petroleum products of ExxonMobil in Brazil.

In 2008, Cosan S.A. also announced the creation of an affiliate named Radar which mainly makes real estate investments in Brazil identifying and acquiring rural properties with high appreciation potential for subsequent leasing and/or sale.

In 2009, Cosan S.A. acquired Nova América S.A. Agroenergia, or Nova América. Nova América was a producer of sugar, ethanol and energy co-generation which also operated in trading and logistics, and also controlled a port terminal in Santos called Teçu. The acquisition of Nova América's assets included the União brand, which was renamed Cosan Alimentos.

In 2010, Cosan S.A. integrated its existing port terminal called Cosan Operadora Portuária with Teçu Port Terminal, initiating our logistics business with the formation of Rumo. Also in 2010, Rumo received R\$400 million from investment vehicles controlled by TPG Capital and Gávea Investimentos. In 2015, as a result of the merger between Rumo and ALL, each investor now owns 4.3% of Rumo.

In 2011, Cosan S.A. and Shell established our Joint Venture, Raízen, to produce sugar and ethanol and to distribute fuel. See C. Organizational Structure, for further information on the Joint Venture.

---

**Table of Contents**

In March 2012, Cosan S.A. entered into an agreement to acquire Comma Oil & Chemicals Limited, or Comma, a wholly-owned subsidiary of Esso Petroleum Company Limited to enter into the European lubricants and specialties market. Comma is located in England and manufactures and supplies lubricants, seasonal and car care products to the United Kingdom and other export markets in Europe and Asia, primarily under the Comma brand. The acquisition of Comma by Cosan includes finished lubricants and chemicals manufacturing and sales to third parties; all assets located at Comma's Gravesend site in Kent, England; and ownership of the Comma trademarks and brands. In addition, agreements will be in place to allow Comma to continue to distribute select Mobil-branded lubricants through certain United Kingdom channels and to continue to manufacture and supply ExxonMobil companies with a range of seasonal and ancillary automotive products. The transaction was concluded on July 1, 2012.

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

Also in May 2012, Cosan S.A., through its subsidiary Provence Participações S.A., or Provence, entered into a Stock Purchase Agreement to acquire 60.1% for R\$3.4 billion of COMGÁS from BG Group. COMGÁS is Brazil's largest distributor of piped natural gas. Its network reaches over fourteen thousand kilometers delivering natural gas to more than 1.5 million customers in the residential, commercial and industrial segments. The acquisition of COMGÁS controlling stake is part of Cosan's strategy to expand its presence in the energy business. On November 5, 2012, we concluded the acquisition of 60.1% stake of COMGÁS, with full approval from, and no restrictions were imposed by CADE or ARSESP (the relevant sectoral regulator). As a result of this acquisition, we entered into a shareholders agreement with the other principal shareholders of COMGÁS, Integral Investments B.V. and Shell Brazil Holding BV, subsidiaries of Shell Gas BV of the Shell Group. Shell Brazil Holding BV, which has a direct and indirect interest in COMGÁS, corresponding to 18.2% of its share capital, has been granted an option to convert its current stake of 21,805,645 COMGÁS common shares into 30,917,231 of Cosan S.A. shares. The exercise of this option may occur during a period of approximately 30 days at the third, fourth or fifth anniversary from the closing date.

On February 24, 2014, Cosan S.A., through its subsidiary Rumo submitted to ALL a binding proposal for the merger of ALL by Rumo. The proposal entailed the merger of all the shares issued by ALL into Rumo, with the current shareholders of Rumo and ALL receiving 36.5% and 63.5%, respectively, of the capital stock of the combined company. The merger was subject to certain conditions precedent, notably the following: (1) Rumo had to become registered as a Brazilian publicly held company and simultaneously join the Novo Mercado segment of BM&FBOVESPA; (2) regulatory approvals from CADE and the ANTT being obtained; and (3) all corporate and third-party approvals required by applicable laws and the by-laws of the companies being obtained.

At an extraordinary general meeting held on October 1, 2014, Cosan S.A.'s shareholders approved a spin-off of the logistics business of Cosan S.A. and the merger of the spun-off portion into Cosan Logística (the Partial Spin-off). The Partial Spin-off seeks to segregate Cosan S.A.'s logistics activities, focused on Rumo, in order to allow each of our business segments to be more sector-focused, and to establish a suitable capital structures for each business segment. It also seeks to provide the market with greater transparency on each business segment's performance, which will give shareholders and investors an improved ability to analyze each individual business's performance. Cosan Limited controls both Cosan S.A. and Cosan Logística, with a 62.51% and 62.51% interest in each of them, respectively. At September 30, 2014 the portion spun-off to Cosan Logística had a book value of R\$1,059.5 million. Due to the Partial



Spin-off, all of the shares issued by Cosan Logística previously held by Cosan were canceled and subsequently 405,856,814 new Cosan Logística shares were issued to the shareholders of Cosan (including Cosan Limited) at an exchange ratio of 1:1. Cosan's shares were traded ex-rights to receive Cosan Logística's shares as from October 6, 2014. Cosan Logística's shares are currently traded on the BM&FBOVESPA under the ticker RLOG3, with trading having started on October 6, 2014. As a result, shareholders had been provided with the same political and economic privileges in Cosan Logística as those conferred on them by the shares of the company they previously held. Furthermore, the Partial Spin-off did not result in any change in the characteristics of Cosan's shares or the advantages conferred by them. Due to the Partial Spin-off and consequent transfer of the spun-off portion to Cosan Logística, the share capital of Cosan S.A. was reduced by R\$1,059,591, corresponding to the book value of the spun-off portion, without any cancellation of Cosan S.A.'s shares. As such, Cosan S.A.'s share capital reduced from the current R\$4,691,822 to R\$3,632,231, and it remains divided into 407,214,353 registered common, nominative and without par value shares.

**Table of Contents**

On November 11, 2014, Cosan's management announced that it was considering the possibility of spinning off Cosan's gas distribution business (i.e., Comgás) through the creation of a new listed company called Distribuição de Gás Participações S.A. ( DGP ), which would become the parent company of Comgás, be publicly-listed on BM&FBOVESPA's Novo Mercado segment and would be responsible for any future investments by Cosan in the natural gas distribution business (the Gas Spin-off ). On January 29, 2015, Cosan S.A. announced that, due to the current unfavorable market conditions, Cosan decided to postpone the Gas Spin-off.

On April 1, 2015, following the completion of the applicable conditions precedent, the merger between Rumo and ALL was effected with an adjusted exchange ratio (adjusted by the dividends distributed per each company during the period) that gave Rumo's shareholders 34.3% and ALL's shareholders 65.7% of the capital stock of the combined company. As a result ALL's shares (BM&FBOVESPA ticker: ALLL3) were delisted from BM&FBOVESPA as of March 31, 2015. As of April 1, 2015, Rumo's public shares listed on the BM&FBOVESPA (under the ticker RUMO3 ) fully reflected the effects of the merger.

On April 13, 2016, Rumo completed a capital increase in an amount of R\$2.6 billion through an offer of shares to investors in Brazil and abroad. Rumo intends to use the net proceeds from the offering to strengthen its working capital and make investments.

***Capital Expenditures***

See Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Capital Expenditures for a description of our principal capital expenditures over the fiscal years ending December 31, 2015 and December 31, 2014, as well as the transition period ended December 31, 2013. For more information concerning our principal capital expenditures currently in progress, see D. Property, Plant and Equipment Capital Expenditures.

**B. Business Overview**

The Company is one of the largest corporations in Brazil, as ranked by the Exame magazine's annual Melhores e Maiores publication, with businesses in strategic sectors to the Brazilian development, such as logistics and energy. The following companies are part of the organization: Cosan S.A., Cosan Logística, COMGÁS, Raízen, Rumo, Cosan Lubrificantes and Radar.

Acquired in 2012, COMGÁS is Brazil's largest natural gas distributor. It has a network of over 14,000 thousand kilometers, bringing natural gas to more than 1.5 million residential, commercial and industrial consumers in over 80 cities. Its concession area accounts for approximately 26% of Brazil's GDP, covering 177 cities in the São Paulo, Campinas and Santos metropolitan areas and the Paraíba Valley.

Through Raízen, a joint venture between Cosan and Shell created in June of 2011, the company produces more than 2 billion liters of ethanol per year to supply both domestic and international markets and 4 million tons of sugar, with 940 MW of installed capacity making it one of the world's largest power generator of electricity from sugarcane bagasse. The company plants, harvests and processes sugarcane, the main raw material used in the production of sugar and ethanol. Raízen also distributes fuel to over 5,682 service stations throughout Brazil under the Shell brand, with approximately 950 convenience stores, 63 distribution terminals and presence in 60 airports supplying jet fuel.

In the logistics sector, Rumo is one of the world's leaders in the transport of sugar for exportation and is creating an integrated transport platform that will significantly increase the efficiency of Brazilian exports. Cosan has spun-off its logistics segment, including Rumo, into a listed company called Cosan Logística. In addition, Rumo has merged with

ALL, which has made it one of the most important transportation and port operator for grains and other commodities in Brazil. For further details, see A. History and Development of the Company.

**Table of Contents**

Through Cosan Lubricants, the company produces and distributes automotive and industrial lubricants. Under the Mobil brand, Cosan operates in Brazil and in three other countries in South America (Bolivia, Uruguay and Paraguay), and also in the United Kingdom, with Comma. Cosan Lubricants has recently started a new distribution operation under the Mobil brand, in Spain, aligned with its strategy to leverage the ExxonMobil partnership and expand abroad.

At Radar, the company's focus is in exploring new opportunities in agricultural properties with high potential for appreciation in Brazil, acquiring and leasing them to large operators in the sector for cultivation of sugarcane, soybeans, corn and cotton.

Cosan Limited (NYSE ticker: CZZ ) has been listed since 2007 on the NYSE, and also has BDRs (BM&FBOVESPA ticker: CZLT33 ) issued in Brazil listed on BM&FBOVESPA. Cosan S.A. (BM&FBOVESPA ticker: CSAN3 ) has been listed since 2005 and Cosan Logística (BM&FBOVESPA ticker: RLOG3 ) has been listed since 2014, both on the BM&FBOVESPA segment with the highest standards of corporate governance, the Novo Mercado. COMGÁS (BM&FBOVESPA ticker: CGAS3 and CGAS5 ) has been listed since 1997.

***Raízen Combustíveis (Fuel Distribution)******Overview***

Through Raízen Combustíveis, our downstream Joint Venture Company, we are engaged in sourcing, storing, blending and distributing gasoline, ethanol, diesel, fuel oil and aviation fuel through our network of 5,682 Shell-branded retail service stations, 63 distribution terminals and 60 airport terminals supplying aviation fuel. Following the formation of the Joint Venture on June 1, 2011, we are currently among the three largest Brazilian fuel distributors, with approximately 25% market share in Brazil in terms of volume of fuel sold in the fiscal year ended December 31, 2015, according to Sindicom.

Raízen Combustíveis Highlights	As of and For Fiscal		As of and	As of and	As of and
	Year		For the	For Nine-	For
	Ended	Ended	Twelve-	Month	Fiscal
	December 31,	December 31,	Month	Period	Year
	2015	2014	Period	Ended	Ended
			Ended	December 31,	March 31,
				2013	2013
Service stations	5,682	5,356	4,860	4,860	4,700
Fuel sold (billion liters)	25.1	25.0	23.2	17.9	22.0
Ethanol sales (R\$ million)	5,392.6	3,556.7	2,988.3	2,330.2	2,401.6
Gasoline sales (R\$ million)	23,784.4	22,165.1	19,235.9	14,829.1	17,688.8
Diesel sales (R\$ million)	27,503.9	24,274.8	20,725.6	16,261.7	17,844.4
Jet fuel sales (R\$ million)	4,233.7	5,111.4	5,001.7	3,724.6	5,003.9
Other products (R\$ million)	498.3	625.9	576.3	434.9	593.5
<b>Net sales (R\$ million)<sup>(1)</sup></b>	<b>61,413.0</b>	<b>55,733.9</b>	<b>48,527.7</b>	<b>37,580.6</b>	<b>43,532.2</b>

(1) Raízen Combustíveis is accounted for under the equity method, and therefore, net sales are not consolidated in the Company's statement of profit or loss and other comprehensive income. See E. Supplemental Information About Joint Ventures.

Currently, Raízen Combustíveis and its competitors purchase all or nearly all oil-derivative fuels from Petrobras under a formal supply contract that establishes the volume and the terms for supply. The contract is renewed periodically and the volume contracted for is based on the volume purchased in the previous year. There have been no significant interruptions in the supply of fuels from Petrobras to the distributors.

Ethanol is sourced from various third party suppliers and from Raízen Energia as well. The prices of ethanol supplied are generally determined by the ESALQ index. The prices of oil-derivative fuels supplied to us by Petrobras generally vary according to international oil prices, however Petrobras often delays passing on variations in market oil prices to its customers, thereby smoothing out some of the volatility of oil price changes experienced in international markets.

## **Table of Contents**

All of our fuel distribution operations are in the domestic Brazilian market. Our operations are not subject to significant seasonality; however, the price of hydrous ethanol at the pump is typically more volatile than the prices of gasoline or diesel, as a result of the seasonality of the sugarcane harvest and the limited storage facilities for ethanol in Brazil. This in turn impacts the proportion of our revenue mix that is derived from either gasoline or ethanol throughout the year, as consumers who own flex fuel vehicles switch between the two fuels according to the relative price of each.

As hydrous ethanol is less energy intense than gasoline, consumers will usually only switch to ethanol if the price is significantly lower than gasoline. When hydrous ethanol is retailed at 70% of the price of gasoline, the two fuels are considered to be at price parity with each other. At a level below 70%, the demand for ethanol will significantly increase at the expense of gasoline.

Raízen Combustíveis supplies aviation fuel at 60 airports across Brazil, including at the major hubs of Congonhas and Guarulhos airports in São Paulo, and Brasília airport in the Federal District, to Brazilian and foreign airlines.

## ***Regulation***

The National Agency of Petroleum, Natural Gas and Biofuels, or ANP, is responsible for the control, supervision and implementation of the government's oil, gas and biofuel policies. The ANP regulates all aspects of the production, distribution and sale of oil products in Brazil, including product quality standards and minimum storage capacities required to be maintained by distributors and is also responsible for establishing the limits of oil-based fuel volume purchased by distributors based on their storage capacity.

*Environmental health and safety standards.* Fuel distributors are subject to Brazilian federal, state and municipal laws and regulations relating to environmental protection, safety and occupational health and safety licensing by fire departments and transport authorities. The National Environmental Council (*Conselho Nacional do Meio Ambiente*), or CONAMA, is the principal government body responsible for approving environmental licensing. Environmental state agencies and municipal departments are also responsible for establishing and supervising complementary laws and regulations within their areas of operation.

Fuel distributors must obtain authorizations and/or licenses from federal, state and/or municipal environmental agencies and fire departments to implement and operate their facilities. They are required to develop programs to control air and water pollution and hazardous waste.

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

### ***Overview***

Raízen Energia, our upstream Joint Venture Company, whose core business is the production and sale of a variety of products derived from sugarcane, including raw sugar (Very High Polarization, or VHP), anhydrous and hydrous ethanol, as well as activities related to energy cogeneration from sugarcane bagasse and ethanol trading.

Raízen Energia operates 24 sugar, ethanol and energy cogeneration mills, with a current crushing capacity of 68 million tons of sugarcane per year.



**Table of Contents**

Raízen Energia Highlights	As of and for Fiscal Year Ended		As of and for Twelve-Month Period Ended	As of and for Nine-Month Period Ended	As of and for Fiscal Year Ended
	December 31,		December 31,	December 31,	March 31,
	2015	2014	2013	2013	2013
Crushed sugarcane (million tons)	59.9	57.1	61.4	61.4	56.2
Sugar volume sold (thousand tons)	4,623.6	4,432.8	4,469.8	3,277.1	4,229.8
Ethanol volume sold (million liters)	3,646.3	2,952.2	3,057.2	1,828.5	2,322.8
Energy sold (MWh)	2,611.2	2,239.8	2,164.5	2,110.8	3,034.8
Net sugar sales (R\$ million)	4,671.0	4,059.6	4,304.3	3,127.6	4,354.0
Domestic market	1,010.9	1,009.1	867.8	669.5	899.2
External market	3,660.1	3,050.5	3,436.5	2,458.1	3,454.8
Net ethanol sales (R\$ million)	5,557.3	3,060.3	3,226.1	3,143.3	3,299.9
Domestic market	2,574.7	2,227.8	2,244.4	1,715.4	1,328.4
External market	2,982.6	2,149.0	2,022.2	1,427.8	1,971.5
Net energy cogeneration sales (R\$ million)	554.9	618.6	389.7	376.6	569.7
Other products and services (R\$ million)	297.7	208.9	240.2	202.9	244.5
Net sales (R\$ million) <sup>(1)</sup>	11,080.8	9,263.9	9,200.7	6,850.4	8,468.2

<sup>(1)</sup> Raízen Energia is accounted for under the equity method; therefore, net sales are not consolidated in the Company's statement of profit or loss and other comprehensive income. See E. Supplemental Information About Joint Ventures.

Our production is based on sugarcane, the most competitive and viable feedstock for sugar and ethanol because of its low production cost and high energy efficiency ratio relative to other energy sources, such as corn and sugar beet. Sugarcane is our principal raw material. It is a tropical grass that grows best in locations with stable warm temperatures and high humidity, although cold and dry winters are an important factor for the sucrose concentration of sugarcane. The climatic conditions of the central-south region of Brazil are ideal for growing sugarcane.

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

Sugarcane harvested from	As of and for Fiscal Year Ended		As of and for Fiscal Year Ended		As of and for Twelve-Month Period Ended		As of and for Nine-Month Period Ended		As of and for Fiscal Year Ended	
	December 31		December 31		December 31		December 31		March 31	
	2015 (*)	%	2014 (*)	%	2013 (*)	%	2013 (*)	%	2013 (*)	%
owned land	28.9	48.3	29.2	51.1	31.0	50.5	30.4	49.5	28.3	50.3
	31.0	51.7	27.9	48.9	30.4	49.5	31.0	50.5	27.9	49.7

(millions of tons, except percentages)



Sugarcane purchased from  
third-parties

Total	59.9	100	57.1	100	61.4	100	61.4	100	56.2	100
-------	------	-----	------	-----	------	-----	------	-----	------	-----

(\*) Unaudited.

---

**Table of Contents**

In accordance with the land lease contracts, we pay the lessors a certain fixed number of tons of sugarcane per hectare as consideration for the use of the land, and a certain fixed productivity per tonne of sugarcane in terms of TSR. The overall volume of TSR is obtained by multiplying the number of hectares leased by the committed tons of sugarcane per hectare by the TSR per tonne of sugarcane. The price that we pay for each kilogram of TSR is set by CONSECANA (*Conselho dos Produtores de Cana-de-açúcar, Açúcar e Álcool do Estado de São Paulo*). The price that we pay to third-party sugarcane growers is based on the total amount of sugar content in the sugarcane, measured by the amount of sugar recovered and on the prices of ethanol and sugar sold by each mill.

Our mills have the capacity to crush 68 million tons of sugarcane per year and in the fiscal year ended December 31, 2015, we crushed 60 million tons of sugarcane, or 10% of Brazil's central-south region total sugarcane production (which was 589 million tons as of December 31, 2015, according to UNICA). For further information on our sugarcane mills see Item 4. Information on the Company D. Property, Plant and Equipment. The mills that are prepared to produce both sugar and ethanol can typically adjust their proportion of output from anywhere between 55% sugar and 45% ethanol to 45% sugar and 55% ethanol. We track the current and future prices of each product relative to the other, as well as forecasts of global output volumes of each product, to decide on the production mix to be set across our mills in order to maximize our sales revenue. All of our mills are energy self-sufficient from burning sugarcane bagasse at very high temperatures in boilers, to heat water that is transformed into steam. Eleven of our mills generate surplus electrical energy that we sell to the Brazilian energy grid.

Raízen Energia is subject to the seasonality of the annual sugarcane harvesting period in the central-south region of Brazil, which begins in April or May and ends in November or December. This creates fluctuations in our inventory, usually peaking in December to cover sales between crop harvest (*i.e.*, January through March), and a degree of seasonality in our gross profit.

We produce and sell a wide variety of standard sugars, including raw sugar (also known as VHP – Very High Polarized sugar), crystal sugar and organic sugar, and refined sugars, including granulated refined white sugar, amorphous refined sugar, refined sucrose liquid sugar and refined inverted liquid sugar.

*Standard sugars.* VHP sugar, a raw sugar with approximately 99% sucrose content, is similar to the type of sugar traded in major commodities exchanges, including through the standard NY11 contract. The main difference between VHP sugar and the sugar that is typically traded in the major commodities exchanges is the sugar content of VHP sugar and the price premium that VHP sugar commands in comparison to most sugar traded in the commodities exchanges. We export VHP sugar in bulk, to be refined at its final destination. We also sell a small amount of VHP sugar to the Brazilian market. Crystal sugar is a non-refined sugar produced directly from sugarcane juice and sold to industrial companies in Brazil to be used as an ingredient for food products. We also sell a small amount of crystal sugar to the Brazilian retail market and to export markets. Organic sugar is a kind of raw sugar produced from organic sugarcane and is not submitted to any chemical treatments during its manufacturing process. We sell organic sugar in the international and Brazilian markets.

*Refined sugars.* We refine VHP sugar and crystal sugar into both granulated and amorphous (non-crystallized) sugar. We sell refined sugar in the Brazilian and export retail and industrial markets. Refined sugar is used as an ingredient in processed food products such as milk and chocolate powders, bakery products, powder refreshments, and pharmaceutical syrups.

*Liquid sugars.* We refine crystal sugar to produce sucrose liquid sugar and inverted liquid sugar, which has a higher percentage of glucose and fructose than sucrose liquid sugar. We sell both types of sugar for industrial use, mainly for the production of soft drinks.

We sell sugar to a wide range of customers in Brazil and in the international markets. Our customers in Brazil include Docelar, which was previously held by Cosan and sold to Camil on October 24, 2012, and food manufacturers, for which we primarily sell refined and liquid sugar. We primarily sell raw sugar in the international markets through international commodities trading firms and Brazilian trading companies. In the fiscal year ended December 31, 2015 we exported 77%, by volume, of the sugar we sold. Rumo Logística handles most of the transportation by rail and logistics of our sugar exports to their sugar loading terminal at the Port of Santos.

Prices for raw sugar are established in accordance with the NY11 futures contracts. Prices for refined sugar are established in accordance with the London# 5 futures contract, traded on the LIFFE. Prices for sugar we sell in Brazil are set in accordance with Brazilian market prices, using an index calculated by the ESALQ.

---

**Table of Contents**

We produce and sell three different types of ethanol: hydrous ethanol and anhydrous ethanol for fuel and industrial ethanol. The primary type of ethanol consumed in Brazil is hydrous ethanol, which is used as an alternative to gasoline for flex fuel vehicles (as opposed to anhydrous ethanol which is used as an additive to gasoline). As a result, hydrous ethanol represented 59% of our ethanol production in the fiscal year ended December 31, 2015 and 56% of our ethanol production in the fiscal year ended December 31, 2014. Our sales are mainly to fuel distributors in Brazil, of which the three largest are Petrobras Distribuidora S.A. (BR Distribuidora), Raízen Combustíveis S.A. (Shell) and Cia. Brasileira de Petróleo Ipiranga (Ipiranga). We also sell industrial alcohol, which is used in the chemical and pharmaceutical sectors. In the fiscal year ended December 31, 2015, we exported 50%, by volume, of the ethanol we sold. Our main export customers are trading companies which distribute our products mainly to the United States, Japan and Europe. Our exports are conducted through TEAS, an ethanol loading terminal at the Port of Santos.

*Ethanol Production Process*

We produce ethanol through a chemical process called yeasting, which is a process of fermenting the sugars contained in both sugarcane juice and molasses. Initially, we process the sugarcane used in ethanol production the same way that we process sugarcane for sugar production. The molasses resulting from this process is mixed with clear juice and then with yeast in tanks, and the by-product resulting from the yeasting process, called yeasted wine, has an ethanol content of approximately 7% to 9%. After the yeasting process, which takes approximately 10 hours, the yeasted wine is centrifuged, so that we can separate the yeast from the liquid. We use the separated yeast in the ethanol production process. We then boil the yeasted wine at different temperatures, which causes the ethanol to separate from other liquids. Hydrous ethanol is produced after different distillation stages. In order to produce anhydrous ethanol, hydrous ethanol undergoes a dehydration process. The liquid remaining after these processes is called vinasse, a by-product we use as fertilizer in our sugarcane fields. After the distillation and dehydration processes, we produce hydrous, anhydrous, neutral and industrial ethanol, and store the ethanol in large tanks.

The ethanol production flow can be summarized as follows:

*Preparation of the juice.* The fermentation is fed with a juice composed of approximately 20% of sugar, which is prepared with juice (from the treatment), molasses (from sugar production) and water. This juice must be cooled to approximately 30°C.

*Fermentation.* The fermentation of the juice is the result of the action of yeast, which firstly inverts the sucrose to glucose and fructose (monosaccharide), and then converts the monosaccharide into ethanol and carbon dioxide. This reaction occurs in a fermenter, which is fed with juice and yeast.

*Centrifuging.* After the fermentation, the resulting product is carried to centrifuges that separate the yeast from the beer, a solution of approximately 9%v/v (oGL) of ethanol.

*Treatment of the yeast.* The yeast that comes from the centrifuges is treated with sulfuric acid and returned to the fermenter tank to be utilized again.

*Distillation.* The beer is distilled in a sequence of distillation columns, which separate the water from the ethanol. This process occurs basically due to the differences of ethanol's and water's ebullition temperatures. In order to produce hydrous ethanol, two columns are used to achieve the concentration of 94%v/v (oGL) ethanol. From the first column, a slop called vinasse is obtained, which is used as a fertilizer in the sugarcane fields.

*Dehydration.* In order to produce anhydrous ethanol, two more columns are used to achieve the concentration of 99%v/v (oGL) ethanol. In the first column, the excess of water is separated with the aid of cycle-hexane.

*Ethanol Production Capacity and Output*

Our current annual ethanol production capacity is approximately 2.6 billion liters. We were the largest producer of ethanol in Brazil in the fiscal year ended December 31, 2015, producing approximately 2.1 billion liters of ethanol, representing 8% of the total ethanol production in Brazil's central-south region, according to UNICA. We are one of the largest exporters of ethanol in the world, having sold abroad R\$3.0 billion including trading in the foreign markets, having exported 1.8 billion liters in the fiscal year ended December 31, 2015 and 549.8 million liters in the fiscal year ended December 31, 2014.

**Table of Contents***Cogeneration*

Raízen Energia, is one of the world's largest producers of energy from sugarcane bagasse. We currently have an installed energy capacity of 934 MW per year from our 24 mills, of which 13 mills sold their excess energy to the grid and on the spot market. We view our cogeneration business as strategic since it generally allows for a stable cash flow stream across commodity cycles, helping to reduce the volatility of our cash flows and operations.

<b>Energy Cogeneration Highlights:</b>	<b>As of and for Fiscal Year Ended December 31</b>	<b>December 31,</b>	<b>As of and for the Twelve-Month Period Ended December 31,</b>	<b>December 31,</b>	<b>As of and for Nine-Month Period Ended December 31,</b>	<b>March 31, Fiscal Year Ended March 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>
Energy sold (MWh)	2,611.2	2,239.8	2,164.5	2,110.8	2,110.8	3,034.8
Net sales (R\$ million) <sup>(1)</sup>	554.9	618.6	389.7	376.5	376.5	569.7

- (i) Raízen Energia is accounted for under the equity method, therefore, net sales are not consolidated in the Company's statement of profit or loss and other comprehensive income. See E. Supplemental Information About Joint Ventures.

Alternative sources of electricity, such as cogeneration from sugarcane bagasse, have become increasingly important within the Brazilian hydro-dependent energy matrix, particularly because the harvest period for sugarcane coincides with generally drier periods for hydraulic energy, when the overall energy supply is, therefore, more constricted. We are self-sufficient for our energy needs. In the fiscal years ended December 31, 2015 and 2014, the nine-month period ended December 31, 2013 and the fiscal year ended March 31, 2013, we sold 2,611.2 MWh, 2,239.8 MWh, 2,110.8 MWh and 3,034.8 MWh, respectively, of energy to third parties. Our main customers, besides the energy sold to the Brazilian grid, are utility companies. In the fiscal year ended December 31, 2015, approximately 80% of our excess cogeneration volume was sold through electric energy auctions.

**Regulation**

Raízen Energia is subject to various Brazilian federal, state and municipal environmental protection and health and safety laws and regulations governing, among other things, the generation, storage, handling, use, transportation and discharge of hazardous materials into the ground, air and water as well as regulation concerning electricity generation.

*Permits.* Certain environmental laws require us to obtain from governmental authorities permits, licenses and authorizations to install and operate our mills, to burn sugarcane and to perform other operations.

We are subject to the regulations of the pollution control and remediation agencies of three Brazilian states:

Environmental Company of the state of São Paulo (*Companhia Ambiental do Estado de São Paulo*), or CETESB ;

Environmental Agency of the state of Goiás (*Agência Goiana do Meio Ambiente*), or AGMA ;

Environmental Institute of the state of Mato Grosso do Sul (*Instituto de Meio Ambiente do Mato Grosso do Sul*), or IMASUL.

*Environmental Licensing of Raízen:* We operate mills, a port facility and numerous warehouses. All mills have environmental operating licenses. The National Environmental Council (*Conselho Nacional do Meio Ambiente*), or CONAMA, is the principal government body responsible for approving environmental licensing.

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

---

**Table of Contents**

*Brazilian Forestry Code:* We are subject to the Brazilian Forestry Code, which prohibits land use in certain permanently protected areas, and obligates us to maintain and register a forestry reserve in each of our rural landholdings covering at least 20% of the total area of such land.

*Environmental Proceedings:* We are party to a number of administrative and judicial proceedings for alleged failure to comply with environmental laws and regulations. Non-compliance with environmental law is subject to administrative, civil and/or criminal sanctions.

*Electricity Regulation:* The Brazilian power industry is regulated by National Electric Energy Agency ( ANEEL ), an independent federal regulatory agency, in accordance with the general guidelines set forth by the Ministry of Mines and Energy, or MME. To perform generation activities, we must obtain authorizations granted by ANEEL or execute concession agreements with the Federal Government through ANEEL. The activities related to generation and commercialization of electricity performed by Raízen Energia are subject to ANEEL 's supervision. Law No. 9,427 dated December 26, 1996, as amended, enacted by the Brazilian Government and supplemented by ANEEL 's regulation, governs the imposition of sanctions against the agents of the electricity sector based on the nature and importance of the breach (including warnings, fines, temporary suspension from the right to participate in bidding procedures for new concessions, licenses or authorizations and forfeiture). For each breach, the fines can be up to 2.0% of the revenue of the concessionaire in the 12-month period preceding any assessment notice or, for independent producers or self-producers (authorized agents), the estimated amount of energy produced in the same period. Some infractions that may result in fines relate to the failure of the agent to request ANEEL 's approval, including the following (pursuant to ANEEL Resolution No. 63/2004, as amended from time to time):

entering into certain related party transactions;

sale or assignment of the assets related to services rendered as well as the imposition of any encumbrance (including any security, bond, guarantee, pledge and mortgage) on them or any other assets related to the concession or the revenues of the electricity services;

changes in controlling interest of the holder of the authorization or concession; and

non-compliance with the schedule for the beginning of the commercial operation of the power plant, as previously approved by the ANEEL through the relevant contract.

***COMGÁS (Natural Gas Distribution)***

***Overview***

COMGÁS is Brazil 's largest distributor of piped natural gas, with a network reaching over fourteen thousand kilometers and delivering natural gas to more than one million residential, commercial and industrial consumers in over 80 cities. The COMGÁS concession area covers approximately 26% (according to the IBGE) of Brazil 's GDP, including 177 municipalities in the metropolitan regions of São Paulo, Campinas and Santos as well as the Paraíba Valley.





**Table of Contents**

We are the largest natural gas distributor in Brazil, with approximately 27% market share in Brazil in terms of volume sold in 2015, according to ABEGAS. We believe the prospects for future availability of natural gas in Brazil are positive based on expected exploration of carbon deposits discovered in the pre-salt layer offshore of Brazil's coast. COMGÁS's supply of natural gas is currently sourced primarily from Petrobras, with contracts in Bolivia and Brazil having been entered into.

COMGÁS Highlights	As of and for Fiscal Year Ended		As of and for the Twelve-Month Period Ended	As of and for the Nine-Month Period Ended <sup>(1)</sup>	As of and for Fiscal Year Ended <sup>(1)</sup>
	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2013	March 31, 2013
Natural gas sold (million cbm)	5,210.9	5,458.7	5,457.0	4,089.9	5,456.9
Net sales (R\$ million)	6,597.0	6,387.1	6,336.6	4,888.9	6,336.6

<sup>(1)</sup> These amounts derive from COMGÁS's financial statements for the year ended December 31, 2013, considering 12 months, and include amounts prior to the date which COMGÁS's results of operations started to be consolidated into the Company's results of operations. Since the acquisition of COMGÁS was on November 5, 2012, net sales for the period of five months are recorded in the Company's income statement for the fiscal year ended March 31, 2013 as discussed in Item 5. Operating and Financial Review and Prospects A. Operating Results.

**Regulation**

The National Agency of Petroleum, Natural Gas and Biofuels (ANP) is responsible for the control, supervision and implementation of the government's oil, gas and biofuel policies. The ANP regulates all aspects of the production, distribution and sale of oil products in Brazil, including product quality standards and minimum storage capacities required to be maintained by distributors and is also responsible for establishing the limits of oil-based fuel volume purchased by distributors based on their storage capacity.

In addition to the regulation by ANP, COMGÁS's activities are also supervised and regulated by ARSESP, with which it maintains continuous dialogue through its directorate for Regulatory and Institutional Affairs, in order to enhance or formulate industry policies. In light of the approach shown by regulators in recent years, COMGÁS does not believe that there will be any sudden changes that may affect its business.

**Lubricants**

Lubricants is responsible for the manufacturing and distribution of passenger vehicle lubricants, commercial vehicle lubricants, industrial lubricants and special application products such as greases, cutting oils and car care products under the Mobil and Comma brands in Brazil, Bolivia, Uruguay, Paraguay, and in specific sales channels in the United Kingdom and Asia.

**Lubricants Highlights:**

As of and for Fiscal Year Ended	As of and for the Twelve-Month Period	As of and for Nine-Month Period Ended	As of and for Fiscal Year
------------------------------------	---	---	---------------------------------

	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>Ended December 31, 2013</b>	<b>December 31, 2013</b>	<b>Ended March 31, 2013</b>
Volume of lubricants sold (thousand liters)	316.9	319.8	315.6	243.1	286.6
Net sales (R\$ million)	1,751.7	1,602.2	1,542.9	1,185.2	1,417.5

**Table of Contents**

We have a wholly-owned lubricants oil blending plant, located in Rio de Janeiro, with an annual production capacity of 1.7 million barrels of lubricants per year, and a pier facility that allows us to import base stocks. We produce over 600 different lubricants, and purchase more than 400 raw materials, including basic oils and additives.

We sell our lubricant products, mainly through distributors and direct sales to industrial customers, as well as to wholesale customer accounts and car and motorcycle dealerships. We also produce and sell lubricants for customers such as Toyota, John Deere, Caterpillar, Honda and SKF.

We have exclusive distribution rights for Mobil brand products in Bolivia, Paraguay and Uruguay following the purchase of ExxonMobil's lubricant distribution business in these three countries in 2011.

In July 2012, we acquired Comma Oil and Chemicals Limited, which reinforced our strategy to enter into the European lubricants and specialties markets. As a result, we acquired finished lubricants and the manufacture and sale of chemicals to third parties, all of Comma's assets at the Gravesend site in Kent, England, as well as ownership of Comma's trademarks and brand names. In addition, agreements will be in place to allow Comma to continue to distribute select Mobil-brand lubricants into specific sales channels in the United Kingdom and to continue to manufacture and distribute a range of seasonal and ancillary automotive products to ExxonMobil.

Our lubricants business is not subject to significant seasonality. However a significant proportion of our raw material purchases are invoiced in U.S. dollars and we hedge part of our shipments of base oils against variations in exchange rates.

***Regulation***

CLE is subject to substantially the same regulation by the same regulatory bodies that our fuel distribution business, Raízen Combustíveis, is subject to. See Raízen Combustíveis (Fuel Distribution).

***Cosan Logística******Overview***

Our logistics operations are operated through Cosan Logística, which holds our interest in Rumo see A. History and Development of the Company. Rumo offers an integrated logistics solution to agricultural commodity producers located in the central-south region of Brazil by transporting produce from the mills and depots by truck or rail to be loaded and stored in our port facility at the Port of Santos. Rumo also offers warehousing services.

Rumo completed the ALL Acquisition in April 2015. As a result of the ALL Acquisition, Rumo has expanded its offering of logistics services, including, among other things, by providing port handling services. Rumo operates in the states of Mato Grosso and São Paulo as well as the southern region of Brazil where four of the most active ports in the country are located and through which most of Brazil's grain production is exported.

**Logistics Highlights:**

**As of and for  
Fiscal Year Ended**

**As of and  
for  
the  
Twelve-  
Month**

**As of and  
for  
the Nine-  
Month  
Period**

**As of  
and  
for  
Fiscal  
Year**

	<b>Period Ended</b>			<b>Ended</b>	<b>Ended</b>
	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>December 31, 2013</b>	<b>March 31, 2013</b>
Port elevation volume (thousand tons)	11,681.6	11,117.9	9,177.1	7,049.1	8,565.6
Logistics sales (R\$ million) <sup>(1)</sup>		671.6	726.0	597.5	549.4
Port handling sales (R\$ million) <sup>(1)</sup>		220.5	174.8	138.2	150.0
Other sales (R\$ million) <sup>(1)</sup>		23.3	16.9	13.6	13.3
North operations (R\$ million)	2,925.1				
South operations (R\$ million)	888.5				
Container operations (R\$ million)	224.3				
Net sales (R\$ million)	4,037.9	915.4	917.7	749.4	712.8

<sup>(1)</sup> As the acquisition of ALL occurred on April 1, 2015, the result of information with segments are presented in the North Operations, comprised of the railway operations, transshipment and port elevation in the areas of the Company's concession of ALL Malha Norte and ALL Malha Paulista.

---

**Table of Contents**

Rumo is the concessionaire of two bulk port terminals at the Port of Santos, which, on a combined basis, is one of the largest bulk port terminals in the world, with a current annual combined loading capacity of 17 million tons, having loaded 12 million tons in the fiscal year ended December 31, 2015. The terminal also has the capacity to store approximately 550,000 tons of sugar. The port facility serves clients, including Raízen Energia, EDF&Man, Sucden, Bunge, Coimex, Cargill, Louis Dreyfus Commodities and Noble among others, in the transport and export of sugar and soy products. Pursuant to the Port Concession Agreement with the state of São Paulo's Port Authority, the concession granted to operate initiated in 2016 and extends to 2036.

In addition, following Rumo's merger with ALL which was completed on April 1, 2015, Rumo has control of ALL's former concessions which include the main railroads between the sugar and grain producing areas of the central-south region of Brazil and the Ports of Santos, Paranaguá, São Francisco and Rio Grande. Moreover, Rumo started operating twelve main inland terminals, either directly or through partners. For further information, see A. History and Development of the Company.

Rumo is subject to the seasonality that influences the sugarcane and grain harvest. During the peak months of the harvests, there is higher demand for transport and logistics operations. Rumo is also subject to the risk that sugarcane mills may change their production mix in favor of ethanol if the relative prices of the two products swing that way. This could reduce the demand for sugar logistics and transport.

***Regulation***

The Brazilian constitution provides that the federal government, directly or by delegation to third parties, shall exploit port activities in Brazil. In 2001, the National Waterway Transportation Agency (*Agência Nacional de Transportes Aquaviários*), or ANTAQ was created in order to regulate the Brazilian port industry and to enter into the relevant concession and adhesion agreements regarding the provision of port services.

Until December 6, 2012, the Port Sector was governed by Federal Law 8,630, dated February 25, 1993 (the Ports Modernization Law), which provided the legal framework applicable to the exploration of the organized ports and the ports installations in Brazil. In view of the need to improve the applicable legislation, the Brazilian Federal Government launched Provisional Measure No. 595/2012 (Medida Provisória nº 595/2012) or MP 595/2012 that expressly revoked the Ports Modernization Law and established a new legal framework to the Port Sector in Brazil.

Before the enactment of the Ports Modernization Law, most of the port terminals were exploited by the government. The Ports Modernization Law was enacted to enable the participation of private investors in the Brazilian port industry by the creation of different port terminal exploitation models: public and private.

The Ports Modernization Law assured to any private party the right to construct, reform, expand, improve, lease and operate a public port terminal located within the organized port area, which are designated areas where ports must serve the public interest and the need for port service, subject to an authorization from the relevant authority. The development of port activities in an organized port area should be preceded by a competitive bidding process and the execution of a concession agreement with the federal government.

In the case of Rumo, the Docks Company of the state of São Paulo (*Companhia Docas do Estado de São Paulo*), or CODESP, granted us the right to exploit public terminals at the Port of Santos. The respective concessions agreements are dated as from 1996 and 2001. Accordingly, such agreements are governed by the Ports Modernization Law.

Rumo was qualified as a port operator under the Port Modernization Law and is currently subject primarily to the regulation of CODESP, which acts under the regulation of ANTAQ.

Public ports are governed by MP 595/2012 and by specific regulations that are still to be published by the Government in order to complement the provisions of MP 595/2012. MP 595/2012 does not provide for the need of adjustments of the terms of any concession agreements in force, requiring adjustments to be made only if both parties intend to extend the agreement. As a result, until new regulation provides otherwise, the concession agreements entered into by and between CODESP and us shall not be amended in order to adjust its terms to MP 595/2012.

## **Table of Contents**

Following Rumo's merger with ALL, we are subject to the regulation of the ANTT, which is responsible for monitoring road and rail transport operations and the federal concessions of road and rail infrastructure in Brazil. Previously, we were indirectly subject to such regulation due to the agreements we had in place with ALL.

### ***Radar (Agricultural Land Development)***

Our agricultural land development operations are run through Radar, a company focused on maximizing earnings from agricultural real estate assets by leveraging our unique market intelligence to acquire rural properties with high expected appreciation potential for subsequent leasing or resale. Since its founding in 2008, Radar has invested R\$2.9 billion in land, which has been leased for sugarcane, soybean, corn and cotton farming. Radar currently manages approximately 279,000 hectares of land in the states of São Paulo, Goiás, Mato Grosso, Maranhão, Minas Gerais, Tocantins, Bahia and Piauí. Radar recorded R\$102.7 million in revenues for the fiscal year ended December 31, 2015.

On July 14, 2012, we began consolidating the financial information of our subsidiary Radar. The consolidation was a result in the change in Radar's by-laws and shareholders' agreement and as a result we report a new business line in our financial information that was previously recognized by equity accounting.

In addition, during the second half of 2012, we contributed 23,100 hectares of agricultural land with a market value of R\$551.4 million to Radar for the strategic alignment of our activities and as a result, we increased our direct and indirect stake in Radar's capital stock from 18.9% to 37.7%. We hold an option to subscribe additional common shares of Radar, corresponding to an additional interest in its capital stock equal to up to 20% of the shares we hold in Radar immediately before the exercise (subtracted of shares issued as a result of stock options granted by Radar). The subscription option is exercisable upon the occurrence of certain conditions. The option may be entirely or partially exercised by us, on a single occasion, until September 9, 2018.

### ***Regulation***

Radar is subject to various Brazilian federal, state and municipal environmental protection and real estate laws and regulations governing, among other things, the acquisition, lease and disposal of farmland investments.

Certain environmental laws require the tenants of Radar's properties to obtain permits, licenses and approvals from governmental authorities in order to conduct agricultural activities and operate storage facilities. Although Radar is a real estate investor, there is nonetheless an effect on Radar's revenues from tenants who are unable to or who are required to obtain the appropriate licenses and approvals in order to use the land.

We are subject to regulations by the following principal governmental agencies:

*Instituto Nacional de Colonização e Reforma Agrária* or **INCRA** : Responsible for regulating the ownership of agricultural properties. This agency monitors the operation of the agricultural properties.

*Georeferencing Process*: Georeferencing is an important procedure, necessary for registering any title of an acquired agricultural property. This procedure must be approved by INCRA and eliminates risks of overlap in property titles. INCRA is the primary regulator for approving georeferencing for any agricultural properties in the country.



*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*, or **IBAMA** : is a regulator, responsible for environmental licenses relating to operations.

*Local environmental agencies:* The *Secretarias de Meio Ambiente Estaduais* (State Secretaries of the Environment), *Secretaria do Meio Ambiente* or **SEMA** **MT** , *Secretaria do Meio Ambiente* or **SMA** and *Instituto do Meio Ambiente e Recursos Hídricos* or **INEMA** .

*Land Ownership:* The Constitution defines land ownership rights for companies and Radar's business is subject to such rights.

*Brazilian Forestry Code:* We are subject to the Brazilian Forestry Code, which prohibits land use in certain permanently protected areas, and obliges us to maintain and register a forestry reserve in each of our rural landholdings covering at least 20% of the total area of such land. The responsibility of maintaining the legal reserve and permanent preservation areas are both the land owner's (Radar) and the land operator's responsibilities (tenants).

---

**Table of Contents****Competition*****Fuel Distribution***

In the fuel distribution business, we are subject to competition, both from companies in the industries in which we operate and from companies in other industries that produce similar products. Our competitors include service stations of large integrated oil companies, independent gasoline service stations, convenience stores, fast food stores, and other similar retail outlets, some of which are well-recognized national or regional retail systems. The Brazilian fuel distribution industry has consolidated significantly in recent years, with the three major distributors increasing their combined market share from 65.2% in 2000 to approximately 80% in 2015.

According to Sindicom, the top-four distributors in Brazil are: Petrobras, operating through the BR Distribuidora brand, Ultrapar S.A., through the Ipiranga brand, Raízen, through Shell and AleSat Combustíveis S.A., a domestic Brazilian fuel distribution company. The main competitive factors affecting the retail marketing operations include site location, product price, selection and quality, site appearance and cleanliness, hours of operation, store safety, customer loyalty and brand recognition. We believe that we are in a strong position to compete effectively on ethanol due to the synergies that further integration with Shell will bring.

We also face competition from international ethanol producers that use other ethanol sources, such as corn and sugar beet for the generation of fuel ethanol.

***Sugar, Ethanol and Cogeneration***

The sugar industry in Brazil has experienced increased consolidation through merger and acquisition activity during the past decade. Most of this activity has involved companies and facilities located in the central-south region of Brazil, one of the most productive sugar producing regions in the world. Despite this recent wave of consolidation, the industry remains highly fragmented with more than 320 sugar mills and 100 company groups participating.

We also face competition from international sugar producers. According to UNICA, we are the largest sugar producer in Brazil and one of the largest sugar producers in the world with 4.1 million tons of sugar produced in the 2014/2015 harvest, compared to British Sugar (1.2million tons of sugar produced in the 2011/2012 harvest) and Südzucker AG of Germany (with 4.9 million tons of sugar produced in the 2012/2013 harvest). These producers, however, are the beneficiaries of considerable governmental subsidies in their principal sales markets.

***Natural Gas***

COMGÁS's concession area covers approximately 26% of Brazil's GDP, including 177 municipalities in the metropolitan regions of São Paulo, Campinas and Santos as well as the Paraíba Valley. COMGÁS distributes natural gas for residential, commercial and industrial customers, and also supplies gas for use as fuel for vehicles and electricity generation. For the residential and commercial customers, COMGÁS holds exclusivity rights within its area of concession. For industrial customers, COMGÁS has exclusive distribution rights until 2029. COMGÁS faces competition from electricity concessionaires, oil and ethanol producers in its activities.

***Logistics***

Since its creation, Rumo, our logistics Company, has always been committed to excellence and efficiency of its operations, which allowed it, in just five years, to become one of the global leaders in logistics for sugar export. Rumo invested more than R\$1.5 billion for sugar to be predominantly transported by rail, instead of by road freight.

Rumo concluded the ALL Acquisition on April 1, 2015. Since then, Rumo has had control of ALL's four concessions, totaling approximately 12,000 kilometers of railway lines, including the railroads connecting the main grain producing areas of Brazil and the ports of Santos, Paranaguá, São Francisco and Rio Grande. Following the ALL Acquisition, Rumo operates, either directly or in conjunction with certain partners, twelve inland terminals with a static capacity of 900,000 tonnes and six port terminals, with a static capacity of 1.3 million tonnes and elevation capacity of 29.0 million tonnes per year.

---

## **Table of Contents**

In the Brazilian rail transport market, participators act as logistics operators in their regions, according to public concessions granted by ANTT (the Brazilian Transports Regulatory Agency), which act as barriers to entry for new competitors, as the concession to operate in a region is granted to only one operator. There are no parallel railways with different operators, therefore the main competitors in this market utilize road transport, since they can compete for the same cargo transported by the railroad, and the best conditions for the client determine the mode of transportation to be used.

## **Research and Development**

Our principal research and development activities are currently concentrated in the following key areas:

We engage CanaVialis S.A., or CanaVialis, to provide us with access to its sugarcane genetic improvement program specifically tailored to Raízen Energia's mills. CanaVialis, which is a subsidiary of Monsanto, is a privately owned firm focused on the genetic improvement of sugarcane. We benefit from their support services and use of their bio factory (the largest in Brazil), which allows us to decrease the amount of time required for seedling production and grant us access to new, improved sugarcane varieties through their genetic improvement program. CanaVialis also conducts field trials and region-specific genetic selection programs to develop sugarcane varieties for our greenfield projects where we are building new sugarcane mills.

Raízen also invests in innovation in the ethanol manufacturing process. Raízen has a 16.3% stake in Codexis and in Shell's commercialization rights of Iogen Energy. The two companies Codexis and Iogen conduct research into advanced fuels, including ethanol extracted from the cellulose of sugarcane and other plants.

We conduct research and development into renewable base oils through Novvi S.A., a Joint Venture between Cosan and Amyris formed in 2011. Novvi was established for the worldwide development, production and commercialization of renewable base oils made from Biofene, Amyris' renewable farnesene.

## **C. Organizational Structure**

We are an integrated energy and infrastructure company and, when considered together with the Joint Venture, a Brazilian market leader in fuel distribution, sugar and ethanol production, natural gas distribution and logistics. Our main operations include: (1) the distribution of fuels in the Brazilian market through Raízen Combustíveis, our downstream Joint Venture company; (2) the production and sale of sugar and ethanol and the cogeneration of electricity from sugarcane bagasse through Raízen Energia, our upstream Joint Venture company; (3) the distribution of piped natural gas in part of the state of São Paulo through our subsidiary COMGÁS, which has been consolidated since November 2012; (4) logistics services including transportation, port loading and storage of sugar, through our indirectly owned subsidiary Rumo; (5) the purchase, sale and leasing of agricultural land through our subsidiary, Radar; (6) the production and distribution of lubricants under the Mobil licensed trademark in Brazil, Bolivia, Uruguay and Paraguay, in addition to the European and Asian markets under the Comma brand; and (7) certain other investments ( Cosan's other business ).

At October 1, 2014, the Partial Spin-off of the Rumo segment of Cosan to Cosan Logística S.A. was approved by Cosan's shareholders, becoming fully effective on October 6, 2014. This Partial Spin-off does not affect the

consolidated financial statements of Cosan Limited.

---

**Table of Contents**

A list of the Company's subsidiaries is included in note 3 of our audited consolidated financial statements for the fiscal years ended December 31, 2015 and 2014 and the nine-month period ended December 31, 2013 attached hereto. See also Exhibit 8.1 to this annual report.

Up until the adoption of IFRS11 Joint Arrangements ( IFRS 11 ), these investments were accounted for using the proportional consolidation method. Upon the adoption of IFRS 11 in the transition period ended December 31, 2013, these investments are accounted for under the equity method. The Joint Venture consists of three separate legal entities:

*Raízen Energia S.A.:* a sugar and ethanol company, which, among other things, conducts the production of sugar and ethanol, as well as all cogeneration activities. Cosan and its subsidiaries and Shell and its affiliates each own 50% common equity interest in this entity. In addition, Cosan and its subsidiaries own 50% plus one share of the voting shares (and preferred shares bearing preferential dividend rights in certain circumstances), whereas Shell and its affiliates own 50% minus one of this entity's voting shares.

*Raízen Combustíveis S.A.:* a downstream company, which conducts the supply, distribution and sale of fuels in Brazil. The resulting company has a network of approximately 5,356 fuel stations throughout Brazil. Cosan and its subsidiaries and Shell and its affiliates likewise each own 50% common equity interest in this entity. In this entity, however, Cosan and its subsidiaries own 50% minus one of the voting shares, whereas Shell and its affiliates own 50% plus one of the voting shares. Cosan and its subsidiaries and Shell and its affiliates also hold preferred shares bearing preferential dividend rights in certain circumstances if certain contingent targets are met.

*Raízen S.A.:* a management company, which is the Joint Venture's face to the market and facilitates the building of a unified corporate culture. Cosan and its subsidiaries and Shell and its affiliates each own 50% of the equity and voting interests in this company.

#### **D. Property, Plant and Equipment**

For more information related to property, plant and equipment see note 17 of our audited consolidated financial statements for the fiscal years ended December 31, 2015 and 2014, and for the nine-month period ended December 31, 2013 attached hereto.

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

##### ***Raízen Combustíveis***

Raízen Combustíveis distributes fuels through 63 distribution terminals to approximately 5,682 service stations throughout Brazil under the Shell brand and also has 60 airport terminals supplying aviation fuel.

##### ***Raízen Energia***

Raízen Energia operates 24 mills with a crushing capacity of 68 million tons and 934 MW of annual generation capacity. All of these facilities are located in the central and southeastern regions of Brazil, which is one of the world's most productive sugarcane regions, primarily because of its favorable soil, topography and climate, nearby research and development organizations and logistics infrastructure.

## **Table of Contents**

### ***COMGÁS***

COMGÁS is Brazil's largest natural gas distributor with a pipeline network of over 14,000 kilometers, supplying natural gas to 1.5 million residential, commercial and industrial consumers in over 80 cities. Its concession area accounts for approximately 26% of Brazil's GDP, covering 177 municipalities in the metropolitan regions of São Paulo, Campinas, Santos and the Paraíba Valley.

### ***Cosan Lubricants***

Cosan Lubricants has a production plant located on the Ilha do Governador, Rio de Janeiro, with a production capacity of 1.4 million barrels of lubricants per year, storage capacity for base oils and lubricants (195,000 barrels) and a pier facility for docking ships of up to 20,000 tons.

### ***Cosan Logística***

Logistics operation moves sugar from mills located in the south-central regions of Brazil to the Port of Santos. Rumo takes the sugar from the mills using trucks and loads it into railcars at one of its five trans-shipment terminals strategically located in the interior of the state of São Paulo for transportation to the Port of Santos. Rumo's facilities at the port include two berths and ten discharging grids capable of loading 17 million tons of sugar and other grains annually making it one of the largest sugar terminals in the world.

Rumo concluded the ALL Acquisition on April 1, 2015. Since then, Rumo has had control of ALL's former concessions which cover a service area extending over the states of Mato Grosso and São Paulo as well as the southernmost states of Brazil. Rumo's rail network serves an area that accounts for approximately 80% of Brazil's GDP, where four of the most active ports in the country are located and through which most of Brazil's grain production is exported.

As a result of the ALL Acquisition, Rumo operates twelve main inland terminals, either directly or in conjunction with certain partners, which have a static capacity of approximately 900 thousand tons. Moreover, Rumo has ownership interests in six port terminals, five of which are in the port of Santos, São Paulo and one in the port of Paranaguá, Paraná, with a storage capacity of approximately 1.3 million tons and a loading capacity of approximately 29 million tons per year. This extensive asset base allows Rumo to provide transportation services to customers in a wide variety of market sectors, which primarily include agricultural commodities such as grains, sugar and sugarcane derivative products, but also include fuel, construction materials, pulp and paper, steel products, chemicals, petrochemicals, electric and electronic goods, automotive parts, packaging materials and beverages.

### ***Radar***

Radar is one of the largest private landowners in Brazil, with a portfolio of approximately 270 thousand hectares of own agricultural land and approximately 350 thousand hectares of non-owned land under management. The total value of the portfolio under management was R\$4.6 billion as of December 31, 2015.

### **Capital Expenditures**

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

### ***Raízen Energia***



*Brownfield Projects*

Raízen has brownfield projects under review until the 2018/19 harvest on mills totaling R\$1.5 billion which we estimate will expand our annual sugarcane crushing capacity by the 2019/2020 harvest:

**Table of Contents**

Mill	Estimated completion date	Current crushing capacity	Future crushing capacity	Increase	Investments
					(in million tons per year)
Caarapó	2017	2.3	4.4	2.1	388.0
Paraalcool	2016	2.1	2.6	1.5	291.3
				3.6	679.3

*Logum ethanol pipeline*

Logum Logística S.A. is the company responsible for construction and operation of the Ethanol System Logistics (logistics, loading, unloading, handling and storage) that involve multimodal transport: pipelines, highways (tankers) and coastal (vessels). With major investments, Logum will cross many municipalities, linking the main ethanol producing regions in the states of São Paulo, Minas Gerais and Goiás to the main points of storage and distribution in Paulínia (upstate São Paulo) and in the city of São Paulo. Part of this integrated system will consist of a long distance runner, of about 610 km (380 miles), which will connect the regions of Itumbiara (state of Goiás) and Paulínia (state of São Paulo). The estimated investment for construction is R\$ 3.6 billion (mostly financed through BNDES). The expected annual capacity is 13 billion liters of ethanol. The first phase of the project, Paulínia - Ribeirão Preto, has been operating since August 2013 and produced a total volume of 2.1 billion liters until December 2015. The second phase, Ribeirão Preto - Uberaba, started operating in April 2015 and produced a total volume of 0.4 billion liters in 2015.

Raízen owns 20% of Logum along with five other companies as follows: Copersucar (20%), Odebrecht (20%), Petrobras (20%), Camargo Corrêa (10%) and Uniduto (10%). Raízen Energia holds a 46.5% equity interest in Uniduto.

**COMGÁS**

COMGÁS has been investing in its network expansion and during the fiscal year ended December 31 2015, we invested R\$521 million, of which approximately 76% was associated with expansion programs and approximately 24% was related to network support investments in order to reinforce, restore and renovate the existing distribution network. In 2016, we expect to invest approximately R\$500 million, of which approximately 73% is associated with expansion programs and approximately 27% is related to network support investments.

**Cosan Logística**

During the fiscal year ended December 31, 2015, Rumo's total investments in property, plant and equipment and intangible assets amounted to R\$1,405.5 million, consisting of capital expenditure (excluding capitalized interest) relating to the following projects: (1) investment in the rail network operated by ALL; (2) various initiatives undertaken to improve permanent tracks, including improvements along 216 kilometers of track lines; (3) acquisition of 732 new rail cars and 43 locomotives as well as upgrades to the existing fleet; and (4) certain other initiatives.

The funds used by Rumo for making capital expenditures are generated from Rumo's operating results and from financings and credit extended by private banks, as well as by publicly-owned banks such as BNDES. Since the beginning of Rumo's rail operations, BNDES has been an important partner in the development of Rumo's infrastructure, providing support through long-term credit lines in line with Rumo's investment plan published in April 2015.

Notably, Rumo, together with certain third parties, have invested in the construction of a roof over one of its two port terminals in the port of Santos, in the state of São Paulo. This roof, which is still under construction, will make it possible to conduct cargo loading onto ships on rainy days. Historically, the city of Santos has had 120 days of rain per year during which the loading of ships is usually not possible. The construction of the roof is scheduled for completion in 2016 and, together with other investments we are making in the port terminal, is expected to increase the loading capacity of our terminals to 19 million tons by the end of 2016.

**Table of Contents****Radar**

Radar is continuously investing in agricultural land and has made total investments of R\$ 4 billion in land purchases since 2008. The company currently has land portfolio of approximately 103.9 thousand hectares (approximately 257 thousand acres) appraised to be worth R\$ 2.6 billion as of December 31, 2015.

**E. Supplemental Information About Joint Ventures**

Upon the application of IFRS 11, the Company retrospectively changed the accounting for its investments in Raízen Combustíveis and Raízen Energia, classifying them as jointly controlled entities (Joint Ventures) under the new standard. As such, for the year ended December 31, 2013, the Company accounted for these joint ventures under the equity method as opposed to the proportional consolidation method applied until March 31, 2013, and the accounting for the joint ventures for the fiscal year ended March 31, 2013 has been restated for the impacts of retrospectively adopting IFRS 11. Although, Raízen Combustíveis and Raízen Energia are not consolidated in our financial statements, we have included below a summary of business performance derived from note 6 (Operating segments) to our audited financial statements for the periods indicated.

The discussion in this section is based on a comparison of the audited fiscal year ended December 31, 2015 with the audited fiscal year ended December 31, 2014, and a comparison of the audited fiscal year ended December 31, 2014 with the unaudited twelve-month period ended December 31, 2013.

**Results of Operations for the Raízen Joint Ventures for the Fiscal Year Ended December 31, 2015 Compared to the Fiscal Year Ended December 31, 2014****Net Sales**

	<b>For the Fiscal Year Ended December 31, 2015</b>	<b>For the Fiscal Year Ended December 31, 2014</b>	<b>% Variation</b>
	<b>(in millions of reais, except percentages)</b>		
<b>Raízen Energia<sup>(1)</sup></b>	<b>11,080.9</b>	<b>9,263.9</b>	<b>19.61%</b>
Ethanol	5,557.3	4,376.8	26.97%
Sugar	4,671.0	4,059.6	15.06%
Cogeneration	554.9	618.6	(10.30)%
Other	297.7	208.9	42.47%
<b>Raízen Combustíveis<sup>(1)</sup></b>	<b>61,413.0</b>	<b>55,733.9</b>	<b>10.19%</b>
Fuel	61,413.0	55,733.9	10.19%
Other			

<sup>(1)</sup> Includes 100% of these entities net sales which upon the application of IFRS 11 are recorded in the Equity income of jointly controlled entity line item in the consolidated statements of profit or loss and comprehensive income for

the fiscal years ended December 31, 2015 and 2014.

The change in the various components consists of the following:

*Raízen Energia*

Raízen Energia's sales in the fiscal year ended December 31, 2015 increased from R\$9,263.9 million to R\$11,080.9 million (or 19.61%), as compared to the fiscal year ended December 31, 2014, primarily due to a decrease in energy cogeneration sales of 10.3% (R\$63.7 million), which was caused by an increase in the average sales price of ethanol of 1.86%. The increase was offset by an increase in revenue from sales of sugar of 15.06% (R\$611.4 million) which in turn resulted from both average sales prices and the volume increasing during the period.

*Raízen Combustíveis*

Raízen Combustíveis' sales in the fiscal year ended December 31, 2015 increased from R\$55,733.9 million to R\$61,413 million, or 10.19%, as compared to the fiscal year ended December 31, 2014, primarily due to a 1.59% increase in sales volume reflecting the growth in the service station network combined with an increase in average sales prices from R\$2.2/m<sup>3</sup> to R\$2.4/m<sup>3</sup> (or 8.47%).

**Table of Contents****Cost of Sales**

	<b>For the Fiscal Year Ended December 31, 2015</b>	<b>For the Fiscal Year Ended December 31, 2014</b>	<b>% Variation</b>
	<b>(in millions of reais, except percentages)</b>		
Raízen Energia <sup>(1)</sup>	(8,904.5)	(7,735.4)	15.11%
Raízen Combustíveis <sup>(1)</sup>	(58,196.3)	(52,934.2)	9.94%
<b>Cost of Sales</b>	<b>(67,100.8)</b>	<b>(60,669.6)</b>	<b>10.60%</b>

<sup>(1)</sup> Includes 100% of these entities' cost of sales which upon the application of IFRS 11 are recorded in the Equity income of jointly controlled entity line item in the consolidated statements of profit or loss and comprehensive income for the fiscal years ended December 31, 2015 and 2014.

**Raízen Energia**

The cost of sales in the fiscal year ended December 31, 2015 increased 15.11%, or R\$1,169.1 million, as compared to the fiscal year ended December 31, 2014, due mainly to the increase of the price of the TSR released by CONSECANA, partially offset by an increase in sales volume of 13.37%.

**Raízen Combustíveis**

The cost of sales in the fiscal year ended December 31, 2015 increased 9.94%, or R\$5,262.1 million, as compared to the fiscal year ended December 31, 2014. This increase is due to the increase in volumes sold and to an increase in prices charged by Petrobras for diesel and gasoline.

**Selling Expenses**

	<b>For the Fiscal Year Ended December 31, 2015</b>	<b>For the Fiscal Year Ended December 31, 2014</b>	<b>% Variation</b>
	<b>(in millions of reais, except percentages)</b>		
Raízen Energia <sup>(1)</sup>	(616.9)	(579.0)	6.55%
Raízen Combustíveis <sup>(1)</sup>	(1,188.5)	(1,150.5)	3.31%
<b>Selling expenses</b>	<b>(1,805.4)</b>	<b>(1,729.5)</b>	<b>4.39%</b>

<sup>(1)</sup> Considering 100% consolidation of the results of Raízen Combustíveis and Raízen Energia.

*Raízen Energia*

Raízen Energia's selling expenses increased R\$37.9 million, or 6.55%, in the fiscal year ended December 31, 2015 as compared to the fiscal year ended December 31, 2014, due primarily to higher expenses with freight. The higher freight expenses can be principally attributed to the higher volume of sales, driven primarily by sales of ethanol to export markets.

*Raízen Combustíveis*

Raízen Combustíveis' selling expenses increased to R\$1,188.5 million, or 3.31%, in the fiscal year ended December 31, 2015, from R\$1,150.5 million in the fiscal year ended December 31, 2014, due primarily to freight cost increases stemming from a 8.47% increase in sales volumes.

*General and Administrative Expenses*

	<b>For the Fiscal Year Ended December 31, 2015</b>	<b>For the Fiscal Year Ended December 31, 2014</b>	<b>% Variation</b>
	<b>(in millions of reais, except percentages)</b>		
Raízen Energia <sup>(1)</sup>	(518.8)	(498.8)	4.03%
Raízen Combustíveis <sup>(1)</sup>	(394.6)	(387.3)	1.89%
<b>General and administrative expenses</b>	<b>(913.4)</b>	<b>(886.1)</b>	<b>3.09%</b>

<sup>(1)</sup> Considering 100% consolidation of the results of Raízen Combustíveis and Raízen Energia.

**Table of Contents***Raízen Energia*

General and administrative expenses totaled R\$518.8 million in the fiscal year ended December 31, 2015, an increase of 4.03% compared to the fiscal year ended December 31, 2014.

*Raízen Combustíveis*

General and administrative expenses totaled R\$394.6 million in the fiscal year ended December 31, 2015, an increase of 1.89% compared to the fiscal year ended December 31, 2014. This was due to general cost inflation and the nonrecurring effect from a provision for personnel expenses.

**Results of Operations for the Raízen Joint Ventures for the Fiscal Year Ended December 31, 2014 Compared to the Unaudited Twelve-Month Period Ended December 31, 2013**

*Net Sales*

	<b>For the Fiscal Year Ended December 31, 2014</b>	<b>For the Twelve-Month Period Ended December 31, 2013</b>	<b>% Variation</b>
	<b>(in millions of reais, except percentages)</b>		
<b>Raízen Energia <sup>(1)</sup></b>	<b>9,263.9</b>	<b>9,200.8</b>	<b>1%</b>
Sugar	4,059.6	4,304.3	(6)%
Ethanol	4,376.8	4,266.6	3%
Cogeneration	618.6	389.7	59%
Other	208.9	240.2	(13)%
<b>Raízen Combustíveis <sup>(1)</sup></b>	<b>55,733.9</b>	<b>48,527.7</b>	<b>15%</b>
Fuel	55,733.9	48,527.7	15%
<b>Net sales</b>	<b>64,997.8</b>	<b>57,728.5</b>	<b>12.59%</b>

<sup>(1)</sup> Includes 100% of these entities' net sales which upon the application of IFRS 11 are recorded in the Equity income of jointly controlled entity line item in the consolidated statements of profit or loss and comprehensive income for the fiscal year ended December 31, 2014, and for the unaudited twelve-month period ended December 31, 2013. The change in the various components consists of the following:

*Raízen Energia*

Raízen Energia's sales in the fiscal year ended December 31, 2014 increased from R\$9,200.8 million to R\$9,263.9 million (or 1%), as compared to the unaudited twelve-month period ended December 31, 2013, primarily due to an increase in energy cogeneration sales of 59% (R\$228.9 million), which was caused by an increase in the average sales price of ethanol of 3%. The increase was offset by a decrease in revenue from sales of sugar of 6% (R\$244.7 million) due to the average sales price and the volume decreasing in the period.



*Raízen Combustíveis*

Raízen Combustíveis sales in the fiscal year ended December 31, 2014 increased from R\$48,527.7 million to R\$55,733.9 million, or 15%, as compared to the unaudited twelve-month period ended December 31, 2013, primarily due to a 7.8% increase in the sales volume combined with an increase in the average sales prices from R\$2,090/m<sup>3</sup> to R\$2,227/m<sup>3</sup> (or 6.5%).

*Cost of Sales*

	<b>For the Fiscal Year Ended December 31, 2014</b>	<b>For the Twelve-Month Period Ended December 31, 2013</b>	<b>% Variation</b>
	<b>(in millions of reais, except percentages)</b>		
Raízen Energia <sup>(1)</sup>	(7,735.4)	(7,681.0)	1%
Raízen Combustíveis <sup>(1)</sup>	(52,934.2)	(46,016.2)	15%
<b>Cost of Sales</b>	<b>(60,669.6)</b>	<b>(53,697.2)</b>	<b>13%</b>

<sup>(1)</sup> Includes 100% of these entities cost of sales. Upon the application of IFRS 11, results of these investments are recorded in the Equity income of jointly controlled entity line item in the consolidated statements of profit or loss and comprehensive income for the fiscal year ended December 31, 2014, and for the unaudited twelve-month period ended December 31, 2013.

**Table of Contents***Raízen Energia*

The cost of sales in the fiscal year ended December 31, 2014 increased 1%, to R\$7,735.4 million, as compared to the unaudited twelve-month period ended December 31, 2013, due mainly to the increase of the price of the TSR released by CONSECANA, partially offset by the decrease of sales volume by 1%.

*Raízen Combustíveis*

The cost of sales in the fiscal year ended December 31, 2014 increased 15%, to R\$52,934.2 million, as compared to the unaudited twelve-month period ended December 31, 2013. This increase is due to the growth in volumes sold and to higher prices charged by Petrobras for diesel and gasoline.

*Selling Expenses*

	<b>For the Fiscal Year Ended December 31, 2014</b>	<b>For the Twelve-Month Period Ended December 31, 2013</b>	<b>% Variation</b>
	<b>(in millions of reais, except percentages)</b>		
Raízen Energia <sup>(1)</sup>	(579.0)	(667.8)	(13)%
Raízen Combustíveis <sup>(1)</sup>	(1,150.5)	(1,073.9)	7%
<b>Selling expenses</b>	<b>(1,729.5)</b>	<b>(1,741.7)</b>	<b>(1)%</b>

<sup>(1)</sup> Raízen presented 100% and upon the application of IFRS 11, deconsolidated and assessed as investments.

*Raízen Energia*

Raízen Energia's selling expenses decreased to R\$579 million, or 13%, in the fiscal year ended December 31, 2014 as compared to the unaudited twelve-month period ended December 31, 2013, due primarily to a decrease in loading expenses.

*Raízen Combustíveis*

Raízen Combustíveis' selling expenses increased from R\$1,073.9 million, 7%, in the fiscal year ended December 31, 2014 as compared to the unaudited twelve-month period ended December 31, 2013, to R\$1,150.5 million, due primarily to freight cost increase stemming from a 7.8% increase in sales volumes.

*General and Administrative Expenses*

	<b>For the Fiscal Year Ended December 31, 2014</b>	<b>For the Twelve- Month Period Ended December 31, 2013</b>	<b>% Variation</b>
--	--	---	------------------------

(in millions of reais, except percentages)

Raízen Energia <sup>(1)</sup>	(498.8)	(549.9)	(9)%
Raízen Combustíveis <sup>(1)</sup>	(387.3)	(378.5)	2%
<b>General and administrative expenses</b>	<b>(886.0)</b>	<b>(928.4)</b>	<b>(5)%</b>

<sup>(1)</sup> Raízen presented 100% and upon the application of IFRS 11, deconsolidated and assessed as investments.

*Raízen Energia*

General and administrative expenses totaled R\$498.8 million in the fiscal year ended December 31, 2014, a decrease of 9% compared to the unaudited twelve-month period ended December 31, 2013.

*Raízen Combustíveis*

General and administrative expenses totaled R\$387.3 million in the fiscal year ended December 31, 2014, an increase of 2% compared to the unaudited twelve-month period ended December 31, 2013. This was due to an increase in the apportionment of overhead expenses.

**Table of Contents**

**Item 4A. Unresolved Staff Comments**

None.

**Item 5. Operating and Financial Review and Prospects**

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements for the fiscal years ended December 31, 2015 and 2014, and for the nine-month period ended December 31, 2013, as well as with the information presented under the sections entitled Presentation of Financial and Other Information and Item 3. Key Information A. Selected Financial Data.

We are also presenting, for comparison purposes, the unaudited consolidated statement of profit and loss for the twelve-month period ended December 31, 2013, to provide a meaningful point of comparison with the fiscal year ended December 31, 2014. The basis of preparation of those unaudited consolidated financial statements is described under the sections entitled Presentation of Financial and Other Information and Item 3. Key Information A. Selected Financial Data.

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in Forward-Looking Statements and Item 3. Key Information D. Risk Factors.

The following discussion and analysis of our financial condition and results of operations presents the following:

a brief overview of our company and the principal factors that influence our results of operations, financial condition and liquidity;

a review of our financial presentation and accounting policies, including our critical accounting policies;

a discussion of the principal factors that influence our results of operations;

a discussion of developments since the end of fiscal year 2015 that may materially affect our results of operations, financial condition and liquidity;

a discussion of our results of operations for the fiscal year ended December 31, 2015 compared with the fiscal year ended December 31, 2014, and for the fiscal year ended December 31, 2014 compared with unaudited the twelve-month period ended December 31, 2013.

a discussion of our liquidity and capital resources, including our working capital at December 31, 2015, our cash flows for the year ended December 31, 2015, the year ended December 31, 2014, the nine-month period ended December 31, 2013 and the fiscal year ended March 31, 2013, and our material short-term and long-term indebtedness at December 31, 2015; and

a discussion of our contractual commitments.

## **Financial Presentation and Accounting Policies**

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

The discussion in this section is based on our audited consolidated financial statements for the fiscal years ended December 31, 2015 and 2014 and for the nine-month period ended December 31, 2013.

We use IFRS as issued by the IASB for financial reporting purposes. Our audited consolidated financial statements include the financial statements of Cosan Limited and its subsidiaries. Investments in entities in which the Company does not have control but either jointly controls or has significant influence over, are accounted for using the equity method. The results of operations of Raízen Energia and Raízen Combustíveis, our Joint Ventures, are accounted for using the equity method, under IFRS 11, which was adopted by the Company in the nine-month period ended December 31, 2013, and applied retrospectively.

The discussion in this section is also based on a comparison of the fiscal year ended December 31, 2015 with the fiscal year ended December 31, 2014, and a comparison of fiscal year ended December 31, 2014 with the unaudited consolidated financial information for the twelve-month-period ended December 31, 2013.

---

**Table of Contents**

***Business Segments and Presentation of Segment Financial Data***

The Company presents seven reportable segments:

- (1) Raízen Energia: production and marketing of a variety of products derived from sugar cane, including raw sugar (VHP), anhydrous and hydrated ethanol, and activities related to energy cogeneration from sugarcane bagasse. In addition, this segment holds interests in companies engaged in research and development on new technology;
- (2) Raízen Combustíveis: distribution and marketing of fuels, mainly through a franchised network of service stations under the Shell brand throughout Brazil;
- (3) COMGÁS: distribution of piped natural gas under a concession covering part of the State of São Paulo (approximately 180 municipalities, including the region called Greater São Paulo) to customers in the industrial, residential, commercial, automotive, thermo-generation and cogeneration sectors;
- (4) Cosan Logística, composed by Rumo and ALL: logistics services for transport, storage and port loading of commodities, mainly for sugar products, leasing or lending of locomotives, wagons and other railway equipment;
- (5) Radar, composed by Radar Propriedades Agrícolas S.A. and Radar II Propriedades Agrícolas S.A. ( Radar ): management, buying, selling and leasing of agricultural;
- (6) Lubricants, composed by Cosan Lubrificantes e Especialidades S.A. ( CLE ) and Comma Oil & Chemicals Ltd. ( Comma ): production and distribution of lubricants under the Mobil brand in Brazil, Bolivia, Uruguay and Paraguay, as well as in the European and Asian markets under the Comma trademark; and
- (7) Cosan's others business: other investments, in addition to the corporate activities of the Company. The other business segments include the subsidiaries responsible for raising funds for the Cosan group.

Following the adoption of IFRS 11, as of April 1, 2013 Cosan no longer proportionally consolidates Raízen Energia and Raízen Combustíveis in its consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income and consolidated cash flows, and the results from these businesses are accounted for under the line item Equity in income of jointly controlled entity in our consolidated statement of profit or loss and other comprehensive income.

***Critical Accounting Policies and Estimates***

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

Summary information about critical judgments, assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included as follows (see note 2.3 of our consolidated financial statements for further information):

*Property, plant and equipment and intangible assets, including goodwill.* The calculation of depreciation and amortization of intangible assets and property, plant and equipment is based on estimated useful lives. In addition, the

determination of the fair value of intangible assets and property, plant and equipment acquired in a business combination or arising from the formation of a Joint Venture is a significant estimate.

The Company performs annually a review of impairment indicators for intangible assets and property, plant and equipment. Also, an impairment test is undertaken for goodwill. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

*Operating lease commitments.* The Company has entered into commercial property leases in relation to its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

**Table of Contents**

*Deferred tax and social contribution.* A deferred tax asset is recognized for loss carryforwards to the extent that it is probable that future taxable income will be generated to use such losses. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and the level of future taxable income together with tax planning strategies.

*Other non-current asset.* The Company has recognized a receivable in relation to a lawsuit filed against the Federal Government, claiming indemnification due to price controls, which receipt is virtually certain, as the Supreme Court passed final judgment and the Federal Government is unable to appeal.

*Fair value of investment properties.* The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. The Company engaged an independent valuation specialist to assess fair value as at December 31, 2015. For investment properties, a valuation methodology based on direct comparisons of market information (Level 2), such as market research, homogenization of values, prices, recent sales, distances, facilities, access to land, topography and soil, land use (culture), rainfall level, among others.

*Fair value of derivatives and other financial instruments.* When the fair value of financial assets and liabilities recorded in the consolidated financial statements cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in determining fair values. Judgment is required in the determination of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions on these factors could affect the reported fair value of financial instruments.



---

## **Table of Contents**

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

*Share-based payments.* Cosan S.A. measures employees' share-based compensation cost by reference to the fair value of the shares at the grant date. The estimation of fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the plan. This estimate also requires determining the most appropriate inputs to the valuation model including the assumption of the expected life of the stock option, volatility and dividend yield.

*Provisions for legal proceedings recognized on business combination transactions.* Provisions for legal proceedings resulting from business combinations are estimated at fair value.

*Investment in joint ventures.* The Company has a 50% interest in a joint agreement. The joint venture agreements require unanimous consent from all parties for all relevant activities.

The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint venture and the Company recognizes its interest in the joint venture using the equity method.

## **Principal Factors Affecting Our Results of Operations**

In addition to the factors that are described in Item 4. Information on the Company B. Business Overview, our results of operations have been influenced and will continue to be influenced by the following key factors:

### ***Acquisitions, Partnerships and Corporate Restructurings***

Our strategy is to be a leading Brazilian group in the energy and infrastructure businesses, for this reason, since May 2004, we have expanded our operations primarily through acquisitions, partnerships and corporate restructurings. We have also diversified into other operations to become a vertically integrated energy and infrastructure company. As a result, our net sales and gross profit have increased significantly.

### ***Sugar***

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



**Table of Contents**

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

	Sugar NY11 (US\$/lb)				
	For the Fiscal Year Ended		For the Twelve-Month Period Ended	For the Nine-Month Period Ended	For the Fiscal Year Ended
	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2013	March 31, 2013
Initial quote	0.1417	0.1773	0.2054	0.1959	0.2458
Closing quote	0.1524	0.1492	0.1780	0.1705	0.1766
Daily average quote	0.1312	0.1774	0.1891	0.1802	0.2007
High quote	0.1592	0.1978	0.2066	0.1959	0.2458
Low quote	0.1039	0.1492	0.1728	0.1659	0.1766

Source: NYBOT; prices from the 1st Generic Future. Bloomberg.

**Ethanol**

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

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

	Hydrous Ethanol Esalq (US\$/thousand liters)				
	For the Fiscal Year Ended		For the Twelve-Month Period Ended	For the Nine-Month Period Ended	For the Fiscal Year Ended
	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2013	March 31, 2013
Initial quote	477.10	555.20	569.00	603.00	663.10
Closing quote	442.30	483.40	558.40	541.90	597.00
Daily average quote	411.34	552.85	532.36	529.01	555.91
Monthly average quote	410.73	652.30	653.10	530.26	556.50
High quote	532.50	483.40	558.40	649.80	663.10
Low quote	318.30	555.20	569.00	452.50	494.90

*Source:* ESALQ.

**Table of Contents**

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

	<b>Anhydrous Ethanol Esalq (US\$/thousand liters)</b>				
	<b>For Fiscal Year</b>		<b>For the Twelve-</b>	<b>For the Nine-</b>	<b>For the Fiscal</b>
	<b>Ended</b>		<b>Month Period</b>	<b>Month Period</b>	<b>Year Ended</b>
	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>
Initial quote	535.10	607.40	653.70	663.00	705.90
Closing quote	500.40	536.00	616.40	616.40	663.40
Daily average quote	458.33	599.63	618.86	601.83	636.37
High quote	570.40	699.10	698.50	698.50	705.90
Low quote	354.50	508.50	506.80	508.80	545.80

Source: ESALQ.

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

	<b>Ethanol (R\$/thousand liters)</b>				
	<b>For Fiscal Year</b>		<b>For the Twelve-</b>	<b>For the Nine-</b>	<b>For the Fiscal</b>
	<b>Ended</b>		<b>Month Period</b>	<b>Month Period</b>	<b>Year Ended</b>
	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>
Average Unitary Price	1,524	1,514	1,420	1,298	1,627

Source: Cosan/Raízen.

***Demand for Fuels***

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

***Currency Fluctuations***

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

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

***Seasonality***

Raízen Energia is subject to seasonal trends based on the sugarcane growing cycle in the Center-South region of Brazil. The annual sugarcane harvesting period in south-central region of Brazil begins in April / May and ends in November / December. This creates variations in inventory, which is usually high in November to cover sales between harvest (*i.e.* from December to April) and a degree of seasonality in gross profit from sales of ethanol and sugar significantly lower in the quarter ending December 31. This seasonality also impacts our sugar logistics segment, Rumo, by concentrating demand for transport to the Port of Santos during the peak months of the sugarcane harvest. None of our other business segments are subject to significant seasonal trends.

## **Table of Contents**

### ***Inflation***

Inflation rates in Brazil were 6.5% in 2011, 5.8% in 2012, 5.9% in 2013, 6.4% in 2014 and 10.7% in 2015, as measured by the Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Ampliado*), or IPCA, published by the Brazilian Institute for Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE. In early 2016, the inflation rate reached a level of 10.4% for the twelve-month period ending February 2016.

Inflation affects our financial performance by increasing certain of our operating expenses denominated in *reais* (and not linked to the U.S. dollar). These operating expenses include labor costs, leases, and selling and general administrative expenses. However, inflation did not have a material impact on our business for the periods presented.

### ***Other Factors***

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

Hedging transactions (as discussed under Hedging Transactions and Exposures );

Trade barriers in U.S., European and other markets that currently limit access to their domestic sugar industry through quotas, subsidies and restrictions on imports;

The evolving use of ethanol derivatives as an alternative to oil derivatives and as a cleaner burning fuel, derived from renewable sources;

The use of ethanol as a cleaner burning fuel, derived from renewable sources;

Changes in international prices of oil (denominated in U.S. dollars) and related changes in the domestic prices of oil (denominated in *reais*);

The growth rate of the global economy and its resulting corresponding growth in worldwide sugar consumption;

The growth rate of Brazil's GDP, which impacts the demand for our products and, consequently, our sales volume in Brazil; and

The tax policies adopted by the Brazilian federal government and the governments of the Brazilian states in which we operate, and our resulting tax obligation.

### ***Cost Structure***

Our cost structure for Raízen Energia may be divided into costs that are linked to the prices of our products and costs that are not linked to the prices of our products. Two of our principal cost components, raw materials and land leases, are linked to the prices of our products. Accordingly, we adjust the prices of our products to follow fluctuations in the cost of our raw materials and leased land, substantially minimizing the impact of this cost volatility on our results of operations. In addition, another relevant portion of our costs is represented by agricultural and industrial inputs, some of which are imported and which are also subject to price fluctuations primarily as a result of exchange rate variations. As 5% of our net sales are derived from exports, a portion of fluctuations in the costs of these inputs is offset by similar fluctuations in our Brazilian and international prices, minimizing the impact of this cost volatility on our results of operations.

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

Our cost structure for COMGÁS is affected by fixed and variable costs. Costs related to our property, plant and equipment incur fixed depreciation charges which increase in line with our capital expenditure. Costs relating to the natural gas resource, costs relating to transportation and other gas services are affected by volumes sold.

Our cost structure for other segments Lubricants and Radar are affected by the cost of imported base oil imported and additives for lubricants, and the cost of sales of land.

### **Hedging Transactions and Exposures**

Our management has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring our risk management policies. The committee reports regularly to the board of directors on its activities.



**Table of Contents**

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

In addition, our joint venture Raízen Energia hedges part of the future price risk of its sugar production estimated to be exported and exchange rate derivative transactions, using future contracts, options and swaps. Its hedging strategy seeks to protect it from cash flow risks caused by commodities price and exchange rates fluctuations and as most of the derivative instruments have been designated for hedge accounting, Raízen Energia has not experienced material gains or losses in their financial results.

See note 34 of our consolidated financial statements attached hereto for further information.

**A. Operating Results**

The following discussion of our results of operations is based on the financial information derived from our audited consolidated financial statements prepared in accordance with IFRS as issued by the IASB, unless otherwise stated. In the following discussion, references to increases or decreases in any year are made by comparison with the corresponding prior year, as applicable, except as the context otherwise indicates. The discussion in this section is based on a comparison of the audited fiscal year ended December 31, 2015 with the audited fiscal year ended December 31, 2014, and a comparison of the audited fiscal year ended December 31, 2014 with the unaudited twelve-month period ended December 31, 2013.

**Results of Operations for the Fiscal Year Ended December 31, 2015 Compared to the Fiscal Year Ended December 31, 2014***Consolidated Results*

The following table sets forth our consolidated statement of profit or loss for the fiscal years ended December 31, 2015 and 2014:

	<b>For the Fiscal Year Ended</b>		
	<b>December 31,</b>	<b>December 31,</b>	<b>%</b>
	<b>2015</b>	<b>2014</b>	<b>Variation</b>
	<b>(in millions of reais, except percentages)</b>		
<b>Consolidated statement of profit or loss</b>			
Net sales	12,458.3	9,062.3	37.47%
Cost of sales	(8,663.6)	(6,413.7)	35.08%
Gross profit	3,794.7	2,648.6	43.27%
Selling expenses	(900.7)	(881.5)	2.18%
General and administrative expenses	(939.6)	(668.6)	40.54%
Other income (expense), net	301.1	(21.2)	n/m
Operating expense	(1,539.2)	(1,571.4)	(2.04)%
Income before equity in earnings of investees and financial results	2,255.3	1,077.2	109.37%

Equity in earnings of associates	8.0	3.5	125.37%
Equity in earnings of joint ventures	775.6	588.4	31.80%
Financial results	(2,164.7)	(982.8)	120.25%
Profit before taxes	874.2	686.3	27.37%
Income tax expense current	(176.5)	(156.5)	12.76%
Income tax benefit deferred	188.6	112.7	67.40%
Total income taxes	12.1	(43.8)	n/m
Profit for the year	886.3	642.5	37.94%
Net income attributable to non-controlling interests	426.5	471.5	(9.54)%
Net income attributable to owners of the parent	459.8	171.0	168.87%

**Net Sales**

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

**Table of Contents**

The table below presents a breakdown of our net sales for the fiscal years ended December 31, 2015 and 2014:

	<b>For the Fiscal Year Ended</b>		
	<b>December 31,</b>		<b>%</b>
	<b>2015</b>	<b>2014</b>	<b>Variation</b>
	<b>(in millions of reais, except percentages)</b>		
<b>Cosan Logística</b>	<b>4,037.9</b>	<b>915.4</b>	<b>341.09%</b>
North operations <sup>(1)</sup>	2,925.1		
South operations <sup>(1)</sup>	888.5		
Container operations <sup>(1)</sup>	224.3		
Logistics <sup>(2)</sup>		671.6	
Port handling <sup>(2)</sup>		220.5	
Other <sup>(2)</sup>		23.3	
<b>Radar</b>	<b>102.8</b>	<b>157.6</b>	<b>(34.81)%</b>
Property sale	69.2	85.3	(18.93)%
Land lease	20.2	60.9	(66.88)%
Other	13.4	11.3	18.17%
<b>COMGÁS</b>	<b>6,597.0</b>	<b>6,387.1</b>	<b>3.29%</b>
Industrial	4,206.9	4,122.1	2.06%
Residential	677.7	633.0	7.06%
Thermo generation	511.9	407.7	25.56%
Construction revenue	408.1	481.3	(15.21)%
Commercial	286.5	255.1	12.33%
Cogeneration	271.6	246.8	10.05%
Automotive	197.3	199.8	(1.28)%
Other	37.0	41.3	(10.44)%
<b>Lubricants</b>	<b>1,751.7</b>	<b>1,602.2</b>	<b>9.33%</b>
Lubricants	1,514.0	1,325.5	14.22%
Basic Oil	222.0	225.7	(1.64)%
Other	15.7	51.0	(69.21)%
<b>Other businesses</b>	<b>0.4</b>		
Segment elimination	(31.6)		
<b>Net sales</b>	<b>12,458.3</b>	<b>9,062.3</b>	<b>37.47%</b>

(1) Segment created following the ALL Acquisition, which was completed on April 1, 2015.

(2) As the ALL Acquisition was completed on April 1, 2015, our results are presented based on the combined entity's segmentation of business sectors. Accordingly, the Logistics, Port Handling, and Other segments have been discontinued.

The change in the various components consists of the following:

*Cosan Logística*

Sales in the fiscal year ended December 31, 2015 increased from R\$915.4 million in the fiscal year ended December 31, 2014 to R\$4,037.9 million in the fiscal year ended December 31, 2015, primarily due to the increase in the volume of Rumo's operations as a result of the ALL Acquisition. In addition, Rumo's port terminal loading volume increased in 2015 in comparison to 2014, with net revenue from services from port terminal loading increasing 8.4% to R\$239.1 million in 2015, compared to R\$220.5 million in 2014. Net revenue from services from transportation totaled R\$3,572.5 million in 2015, compared to R\$671.6 million in 2014, primarily due to the ALL Acquisition and the addition of railway services in 2015. Finally, net revenue from services from other operations totaled R\$226.3 million in 2015, compared to R\$23.3 million in 2014, primarily due to the ALL Acquisition and related right-of-way rights charged to other rail transport operators.

*Radar*

Radar's revenues derived from investments in agricultural properties, leasing of land in Brazilian rural markets and property sales totaled R\$102.8 million in the fiscal year December 31, 2015. This represented a 34.81% decrease as compared to the fiscal year ended December 31, 2014, mainly due to a decrease in the amount of land leased and sold during 2015.

**Table of Contents***COMGÁS*

COMGÁS revenues in the fiscal year ended December 31, 2015 amounted to R\$6,597 million, representing the results of its activities of distribution and trading of natural gas in the concession region of the state of São Paulo. This was an increase of 3.29% as compared to the fiscal year ended December 31, 2014, due to an increase of the average sales price, authorized by ARSESP during 2015.

*Lubricants*

Our lubricants businesses comprise our lubricants and specialties business and certain other operations. The net revenue of the lubricants business was R\$1,751.7 million in the fiscal year ended December 31, 2015, an increase of 9.33% compared to the fiscal year ended December 31, 2014, due to foreign exchange gains arising as a result of the depreciation of the real against major international currencies such as the U.S. dollar during 2015.

*Cost of Sales*

	<b>For the Fiscal Year Ended</b>		
	<b>December 31, 2015</b>	<b>2014</b>	<b>% Variation</b>
	<b>(in millions of reais, except percentages)</b>		
Cosan Logística	(2,771.9)	(610.4)	354.14%
Radar	(18.0)	(60.6)	(70.35)%
COMGÁS	(4,580.2)	(4,494.9)	1.90%
Lubricants	(1,322.3)	(1,247.8)	5.97%
Other business	(2.8)		
Segment elimination	31.6		
<b>Cost of sales</b>	<b>(8,663.6)</b>	<b>(6,413.7)</b>	<b>35.08%</b>

Our total cost of sales and services increased by 35.08% to R\$8,663.6 million during the fiscal year ended December 31, 2015, from R\$6,413.7 million during the fiscal year ended December 31, 2014 due to the factors described below.

*Cosan Logística*

The cost of Cosan Logística's services provided in the fiscal year ended December 31, 2015 increased 354.14%, to R\$2,771.9 million, as compared to the fiscal year ended December 31, 2014, primarily due to the ALL Acquisition, which was completed on April 1, 2015.

*Radar*

Radar's costs of sales and services totaled R\$18 million in the fiscal year ended December 31, 2015, a decrease of 70.35% as compared to the fiscal year ended December 31, 2014, due to a decrease in the volume of land sales.

*COMGÁS*

COMGÁS costs of sales and services, which corresponds to the cost of gas, transportation and construction activity on the gas distribution infrastructure under concession, totaled R\$4,580.2 million in the fiscal year ended December 31, 2015, an increase of 1.9% as compared to the fiscal year ended December 31, 2014, due to an increase in the cost of natural gas and movements in foreign exchange rates.

*Lubricants*

The cost of lubricants sales totaled R\$1,322.3 million in the fiscal year ended December 31, 2015, an increase of 5.97% as compared to the fiscal year ended December 31, 2014, mainly due to a decrease in the sales volumes of lubricants of 0.91%, and to adverse movements in foreign exchange rates, which increased the cost of importing base oil.

**Table of Contents****Selling Expenses**

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

	<b>For the Fiscal Year Ended December 31, %</b>		
	<b>2015</b>	<b>2014</b>	<b>Variation</b>
	<b>(in millions of reais, except percentages)</b>		
Cosan Logística	18.4		
COMGÁS	(627.5)	(636.3)	(1.38)%
Lubricants	(291.6)	(245.2)	18.93%
<b>Selling expenses</b>	<b>(900.7)</b>	<b>(881.5)</b>	<b>2.18%</b>

Selling expenses increased by 2.18% to R\$900.7 million during the fiscal year ended December 31, 2015 from R\$881.5 million during the fiscal year ended December 31, 2014, due to the factors described below.

*Cosan Logística*

Cosan Logística's selling expenses increased to R\$18.4 million in the fiscal year ended December 31, 2015 as compared to the fiscal year ended December 31, 2014, due primarily to the increase in the volume operations resulting from the ALL Acquisition.

*COMGÁS*

Selling expenses decreased by 1.38% to R\$627.5 million during the fiscal year ended December 31, 2015, from R\$636.3 million during the fiscal year ended December 31, 2014, mainly caused by improved controls over expenses.

*Lubricants*

Selling expenses increased 18.93% in the fiscal year ended December 31, 2015, to R\$291.6 million, as compared to R\$245.2 million in the fiscal year ended December 31, 2014, due primarily to an increase in marketing and freight costs.

**General and Administrative Expenses**

**For the Fiscal  
Year Ended  
December 31,**

		<b>%</b>
<b>2015</b>	<b>2014</b>	<b>Variation</b>

	<b>(in millions of reais, except percentages)</b>		
Cosan Logística	(311.3)	(87.8)	254.42%
Radar	(28.0)	(36.5)	(23.42)%
COMGÁS	(332.8)	(308.4)	7.90%
Lubricants	(77.7)	(70.7)	9.88%
Other business	(189.9)	(165.2)	15.01%
<b>General and administrative expenses</b>	<b>(939.7)</b>	<b>(668.6)</b>	<b>40.54%</b>

General and administrative expenses consist of salaries and benefits paid to employees, taxes, expenses related to third-party services, rentals and other expenses. Our total general and administrative expenses increased by 40.54% to R\$939.7 million during the fiscal year ended December 31, 2015 from R\$668.6 million during the fiscal year ended December 31, 2014, due to the factors described below.



**Table of Contents***Cosan Logística*

General and administrative expenses totaled R\$311.3 million in the fiscal year ended December 31, 2015, an increase of 254.42% compared to the fiscal year ended December 31, 2014 as a result of the ALL Acquisition which was completed on April 1, 2015, and a related increase in administrative functions and costs related thereto.

*Radar*

General and administrative expenses totaled R\$28 million in the fiscal year ended December 31, 2015, compared with R\$36.5 million in the fiscal year ended December 31, 2014, reflecting the lower sales of land and general and administrative expenses.

*COMGÁS*

General and administrative expenses totaled R\$332.8 million in the fiscal year ended December 31, 2015, compared with R\$308.4 million in the fiscal year ended December 31, 2014. The increase is mainly explained by inflation in the period, which was partially offset improved control of expenses.

*Lubricants*

General and administrative expenses totaled R\$77.7 million in the fiscal year ended December 31, 2015, an increase of 9.88% when compared to the fiscal year ended December 31, 2014, primarily due to increased payroll expenses.

**Other income (expense), net**

Other income, net comprises other income and expenses. Other income, net increased from an expense of R\$21.2 million in the fiscal year ended December 31, 2014 to an income of R\$301.1 million in the fiscal year ended December 31, 2015, mainly due to the ALL Acquisition which was completed on April 1, 2015.

*Equity in earnings of associates*

Equity in earnings of associates includes our interests in Tellus Brasil 51%, Novvi Limited 50%, Janus Brasil 51%, Vertical 50% and other investments. Equity income increased to R\$8 million in the fiscal year ended December 31, 2015 from R\$3.5 million in the fiscal year ended December 31, 2014, primarily due to the improved operational results of these entities.

*Equity in earnings of joint ventures*

Equity in earnings of joint ventures includes our 50% interests in Raízen Energia and Raízen Combustíveis. Equity income increased to R\$775.6 million in the fiscal year ended December 31, 2015 from R\$588.4 million in the fiscal year ended December 31, 2014, as a result of the factors explained in detail above for the segments Raízen Energia and Raízen Combustíveis, which are not consolidated into our financial statements but equity accounted for, in accordance with IFRS 11.

**Table of Contents****Financial results, net**

Financial results, net in the fiscal year ended December 31, 2015 totaled a net financial expense of R\$2,164.7 million compared with a net financial expense of R\$982.8 million in the fiscal year ended December 31, 2014, an increase of R\$1,182 million, or 120.3%, mainly due to the ALL Acquisition which was completed on April 1, 2015.

For a better understanding of our financial results, we segregate our cost of debt as shown in the following table:

	<b>For the Fiscal Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Variation</b>
	<b>(in millions of reais, except percentages)</b>		
<b>Cost of gross debt</b>			
Interest on debt	(1,406.5)	(717.9)	95.92%
Exchange and monetary variations	(1,579.4)	66.9	n/m
Derivatives	1,272.4	168.0	657.49%
Guarantees and warranties on debt	80.1	(21.3)	(475.74)%
	<b>(1,633.4)</b>	<b>(504.3)</b>	<b>223.90%</b>
Income from financial investments	353.9	139.7	153.30%
<b>Cost of debt, net</b>	<b>(1,279.5)</b>	<b>(364.6)</b>	<b>250.95%</b>
<b>Other charges and monetary variations</b>			
Exchange and monetary variations	(58.2)	10.2	(670.83)%
Monetary variation on leases and concessions agreements	(180.3)		
Monetary restatement and interest on leases	(117.6)		
Derivatives	21.9	1.6	n/m
Interest on other receivables	142.5	72.6	96.20%
Interest on other liabilities	(582.0)	(130.2)	347.18%
Bank charges	(125.5)	(119.2)	5.31%
Other	14.0	(453.2)	(103.08)%
	<b>(885.2)</b>	<b>(618.2)</b>	<b>43.18%</b>
<b>Financial results, net</b>	<b>(2,164.7)</b>	<b>(982.8)</b>	<b>120.25%</b>
<b>Reconciliation</b>			
Finance expense	(2,629.4)	(1,060.8)	147.87%
Finance income	588.5	217.1	171.05%
Foreign exchange losses, net	(746.1)	(300.5)	148.25%
Derivatives	622.3	161.4	285.65%
	<b>(2,164.7)</b>	<b>(982.8)</b>	<b>120.25%</b>

*Finance Expenses.* Our financial expenses primarily consist of: (1) accrued interest on our indebtedness, such as debt, taxes and contingences; (2) interest and indexation charges related to our financial debt; and (3) fees, commissions and other charges paid to financial institutions.

Financial expenses in the fiscal year ended December 31, 2015 totaled R\$2,629.4 million, as compared to R\$1,060.8 million in the fiscal year ended December 31, 2014.

Our debt charges represented a decrease of 148%, when compared to the fiscal year ended December 31, 2014, mainly due to higher average indebtedness. The increase was primarily attributable to the ALL Acquisition.

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

**Table of Contents**

Financial income during the fiscal year ended December 31, 2015 totaled R\$588.5 million, compared to financial income of R\$217.1 million during the fiscal year ended December 31, 2014, due to an increase in interest income.

*Foreign exchange losses, net.* Foreign exchange variation, net resulted in a net exchange loss of R\$746.1 million in the fiscal year ended December 31, 2015 compared to a net loss of R\$300.5 million in the fiscal year ended December 31, 2014. The foreign exchange losses occurred due to the depreciation of the real against the U.S. dollar.

Our gross indebtedness denominated in foreign currency was R\$6,965.9 million at December 31, 2015, compared to R\$4,508.1 million at December 31, 2014.

*Derivatives.* Derivatives resulted in a net gain of R\$622.3 million in the fiscal year ended December 31, 2015 compared with a net gain of R\$161.4 million in the fiscal year ended December 31, 2014.

***Income tax (expense) benefit***

Income taxes increased to R\$12.1 million for the fiscal year ended December 31, 2015, compared to R\$43.8 million in the fiscal year ended December 31, 2014, mainly due to a tax credit on accumulated losses (tax shield) which benefited our Other Businesses segment.

***Net income attributable to owners of the Parent***

As a result of the foregoing, net income attributable to our owners was R\$459.8 million in the fiscal year ended December 31, 2015, compared to R\$171.0 million in the fiscal year ended December 31, 2014, an increase of 168.87% after deducting net income attributable to non-controlling interests of R\$426.5 million and R\$471.5 million in the fiscal year ended December 31, 2015 and the fiscal year ended December 31, 2014, respectively.

**Results of Operations for the Fiscal Year Ended December 31, 2014 Compared to the Unaudited Twelve-Month Period Ended December 31, 2013*****Consolidated Results***

The following table sets forth our consolidated statement of profit or loss for the fiscal year ended December 31, 2014 and unaudited twelve-month period ended December 31, 2013:

	<b>For the Fiscal Year Ended December 31, 2014</b>	<b>For the Twelve-Month Period Ended December 31, 2013</b>	<b>% Variation</b>
<b>(in millions of reais, except percentages)</b>			
<b>Consolidated profit or loss</b>			
Net sales	9,062.3	8,867.4	2%
Cost of sales	(6,413.7)	(6,263.7)	2%
Gross profit	2,648.6	2,603.7	2%
Selling expenses	(881.5)	(802.4)	10%
General and administrative expenses	(668.6)	(606.0)	10%

Edgar Filing: Cosan Ltd. - Form 20-F

Other income (expense), net	(21.2)	148.1	(114)%
Operating expense	(1,571.4)	(1,260.2)	25%
Income before financial results, equity in earnings in and income taxes	1,077.2	1,343.5	(20)%
Equity in earnings of associates	3.5	19.3	(82)%
Equity in earnings of joint ventures	588.4	336.1	75%
Financial results	(982.8)	(893.6)	10%
Profit before taxes	686.3	805.3	(15)%
Income tax expense current	(156.5)	(157.7)	(1)%
Income tax benefit deferred	112.7	54.4	107%
Total income taxes	(43.8)	(103.3)	(58)%
Profit from continuing operations	642.5	702.0	(8)%
Loss from discontinued operations, net of tax		(3.4)	
Profit for the period	642.5	698.7	(8)%
Net income attributable to non-controlling interests	471.5	483.5	(2)%
Net income attributable to owners of the parent	171.0	215.2	(21)%

**Table of Contents****Net Sales**

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

The table below presents a breakdown of our net sales for the fiscal year ended December 31, 2014 and the unaudited twelve-month period ended December 31, 2013:

	<b>For the Fiscal Year Ended December 31, 2014</b>	<b>For the Twelve-Month Period Ended December 31, 2013</b>	<b>% Variation</b>
	<b>(in millions of reais, except percentages)</b>		
<b>Cosan Logística</b>	<b>915.4</b>	<b>917.7</b>	<b>0%</b>
Port handling	220.5	174.9	26%
Logistics	671.6	726.0	(7)%
Other	23.3	16.9	38%
<b>Radar</b>	<b>157.6</b>	<b>70.1</b>	<b>125%</b>
Property sale	85.3	5.7	1,398%
Land lease	60.9	64.4	(5)%
Other	11.3		
<b>COMGÁS</b>	<b>6,387.1</b>	<b>6,336.6</b>	<b>1%</b>
Industrial	4,122.1	4,012.5	3%
Residential	633.0	636.8	(1)%
Thermo generation	407.7	296.8	37%
Cogeneration	246.8	255.8	(4)%
Automotive	199.8	196.2	2%
Commercial	255.1	235.8	8%
Construction revenue	481.3	671.6	(28)%
Other	41.3	31.1	33%
<b>Lubricants</b>	<b>1,602.2</b>	<b>1,542.9</b>	<b>4%</b>
Lubricants	1,325.5	1,364.2	(3)%
Basic Oil	225.7	168.4	34%
Other	51.0	10.2	399%
<b>Net sales</b>	<b>9,062.3</b>	<b>8,867.4</b>	<b>2%</b>

The change in the various components consists of the following:

*Cosan Logística*

Sales in the fiscal year ended December 31, 2014 decreased from R\$917.7 million to R\$915.4 million, as compared to the unaudited twelve-month period ended December 31, 2013, primarily due to a decrease in the average sales price of 15%.

Revenue from logistics decreased 7% from R\$726.0 million to R\$671.6 million, primarily as a result of a 9.7% decrease in average sales prices, which was partially offset by an increase in the sales volume whereby Cosan Logística shipped 21.2 million tons in the unaudited twelve-month period ended December 31, 2013 and 21.7 million tons in the fiscal year ended December 31, 2014.

**Table of Contents**

Port handling sales revenue increased 26%, from R\$174.9 million to R\$220.5 million in the fiscal year ended December 31, 2014, as compared to the unaudited twelve-month period ended December 31, 2013, due to an increase in volume from 9.2 million tons to 11.1 million tons in the fiscal year ended December 31, 2014, representing an increase of 21.1% as compared to the unaudited twelve-month period ended December 31, 2013, due to new contracts being signed during 2014.

*Radar*

Radar's revenues derived from investments in agricultural properties, leasing of land in Brazilian rural markets and property sales totaled R\$157.6 million in the fiscal year December 31, 2014. This represented a 125% increase as compared to the unaudited twelve-month period ended December 31, 2013, mainly due to an increase in sales of properties during 2014.

*COMGÁS*

COMGÁS revenues in the fiscal year ended December 31, 2014 amounted to R\$6,387.1 million, representing the results of its activities of distribution and trading of natural gas in the concession region of the state of São Paulo. This was an increase of 1% as compared to the unaudited twelve-month period ended December 31, 2013, due to the increase of the average sales price.

*Lubricants*

Our lubricants businesses comprise our lubricants and specialties business and certain other operations. The net revenue of the lubricants business was R\$1,602.2 million in the fiscal year ended December 31, 2014, an increase of 4% compared to the unaudited twelve-month period ended December 31, 2013, due to an increase of 1.3% in volume sold and to higher unit revenue which increased by 2.5% to R\$5,009/m<sup>3</sup> in the fiscal year ended December 31, 2014.

*Cost of Sales*

	For the Fiscal Year Ended December 31, 2014	For the Twelve-Month Period Ended December 31, 2013	% Variation
	(in millions of <i>reais</i> , except percentages)		
Cosan Logística	(610.4)	(542.6)	12%
Radar	(60.6)	(6.1)	901%
COMGÁS	(4,494.9)	(4,556.6)	(1)%
Lubricants	(1,247.8)	(1,158.4)	8%
<b>Cost of Sales</b>	<b>(6,413.7)</b>	<b>(6,263.8)</b>	<b>2%</b>

Our total cost of sales and services increased by 2% to R\$6,413.7 million during the fiscal year ended December 31, 2014, from R\$6,263.8 million during the unaudited twelve-month period ended December 31, 2013 due to the factors described below.

*Cosan Logística*



The cost of sales of Cosan Logística's services provided in the fiscal year ended December 31, 2014 increased 12%, to R\$610.4 million, as compared to the unaudited twelve-month period ended December 31, 2013, due to an increase in volumes transported of 2.4%, and an increase in transportation costs.

*Radar*

Radar's costs of sales and services totaled R\$60.6 million in the fiscal year ended December 31, 2014 an increase of 901% as compared to the twelve-month period ended December 31, 2013, due to the increased volume of land sales.

**Table of Contents***COMGÁS*

COMGÁS costs of sales and services, which corresponds to the cost of gas, transportation and construction activity on the gas distribution infrastructure under concession, totaled R\$4,494.9 million in the fiscal year ended December 31, 2014 a decrease of 1% as compared to the unaudited twelve-month period ended December 31, 2013. This is due to a decrease in construction costs of 28.3%, mainly because of a lower level of investment during 2014, which was partially offset by an increase in the cost of natural gas of 3.3%.

*Lubricants*

The cost of lubricants sales totaled R\$1,247.8 million in the fiscal year ended December 31, 2014, an increase of 8% as compared to the unaudited twelve-month period ended December 31, 2013, mainly due to an increase in the sales volumes of lubricants by 1.3%, and to adverse changes in exchange rates, which increased the costs of importing base oil.

*Selling Expenses*

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

	<b>For the Fiscal Year Ended December 31, 2014</b>	<b>For the Twelve-Month Period Ended December 31, 2013</b>	<b>% Variation</b>
	<b>(in millions of reais, except percentages)</b>		
COMGÁS	(636.3)	(573.9)	11%
Lubricants	(245.2)	(228.5)	7%
<b>Selling expenses</b>	<b>(881.5)</b>	<b>(802.4)</b>	<b>10%</b>

Selling expenses increased by 10% to R\$881.5 million during the fiscal year ended December 31, 2014 from R\$802.4 million during the unaudited twelve-month period ended December 31, 2013, due to the factors described below.

*COMGÁS*

Selling expenses increased by 11% to R\$636.3 million during the fiscal year ended December 31, 2014 from R\$573.9 million during the unaudited twelve-month period ended December 31, 2013, mainly caused by the depreciation of investments made in network expansion.

*Lubricants*

Selling expenses increased 7% in the fiscal year ended December 31, 2014, to R\$245.2 million, as compared to R\$228.5 million in the twelve-month period ended December 31, 2013, due primarily to an increase in freight costs.

*General and administrative expenses*

	<b>For the Fiscal Year Ended December 31, 2014</b>	<b>For the Twelve-Month Period Ended December 31, 2013</b>	<b>% Variation</b>
	<b>(in millions of reais, except percentages)</b>		
Cosan Logística	(87.8)	(74.3)	18%
Radar	(36.5)	(23.2)	58%
COMGÁS	(308.4)	(309.7)	0%
Lubricants	(70.7)	(73.1)	(3)%
Other business	(165.2)	(125.6)	31%
<b>General and administrative expenses</b>	<b>(668.6)</b>	<b>(606.0)</b>	<b>10%</b>

---

**Table of Contents**

General and administrative expenses consist of salaries and benefits paid to employees, taxes, expenses related to third-party services, rentals and other expenses. Our total general and administrative expenses increased by 10% to R\$668.6 million during the fiscal year ended December 31, 2014 from R\$606.0 million during the unaudited twelve-month period ended December 31, 2013, due to the factors described below.

*Cosan Logística*

General and administrative expenses totaled R\$87.8 million in the fiscal year ended December 31, 2014, an increase of 18% compared to the unaudited twelve-month period ended December 31, 2013, reflecting the adjustment in the administrative structure for new logistics projects in ports and railways.

*Radar*

General and administrative expenses totaled R\$36.5 million in the fiscal year ended December 31, 2014, compared with R\$23.2 million in the unaudited twelve-month period ended December 31, 2013, due primarily to an increase in employee benefit payments due to a business restructuring.

*COMGÁS*

General and administrative expenses totaled R\$308.4 million in the fiscal year ended December 31, 2014, compared with R\$309.7 million in the unaudited twelve-month period ended December 31, 2013.

*Lubricants*

General and administrative expenses totaled R\$70.7 million in the fiscal year ended December 31, 2014, a decrease of 3% when compared to the unaudited twelve-month period ended December 31, 2013.

**Other income (expense), net**

Other income, net comprises other income and expenses. Other income, net decreased from an income of R\$148.3 million in the unaudited twelve-month period ended December 31, 2013 to an expense of R\$21.2 million in the fiscal year ended December 31, 2014, mainly due to the costs related to internal organization and prospective acquisitions that the Company incurred with lawyers, consultants, business advisors and other related services for certain reorganizations and prospective acquisitions.

*Equity in earnings of associates*

Equity in earnings of associates includes our interests in Tellus Brasil 51%, Novvi Limited 50%, Janus Brasil 51%, Vertical 50% and other investments. Equity income decreased to R\$3.5 million in the fiscal year ended December 31, 2014 from R\$19.3 million in the unaudited twelve-month period ended December 31, 2013.

*Equity in earnings of joint ventures*

Equity in earnings of joint ventures includes our 50% interests in Raízen Energia and Raízen Combustíveis. Equity income increased to R\$588.4 million in the fiscal year ended December 31, 2014 from R\$336.1 million in the unaudited twelve-month period ended December 31, 2013, as a result of the factors explained in detail above for the segments Raízen Energia and Raízen Combustíveis, which are not consolidated into our financial statements but equity accounted for, in accordance with IFRS 11.



**Table of Contents****Financial results, net**

Financial results, net in the fiscal year ended December 31, 2014 totaled a net financial expense of R\$982.8 million compared with net financial expense of R\$893.6 million in the unaudited twelve-month period ended December 31, 2013, an increase of R\$89.3 million, or 10%, due to the factors described below.

	<b>For the Fiscal Year Ended December 31, 2014</b>	<b>For the Twelve-Month Period Ended December 31, 2013</b>	<b>% Variation</b>
	<i>(in millions of reais, except percentages)</i>		
Finance expenses	(1,060.8)	(1,038.6)	2%
Finance income	217.1	239.4	(9)%
Foreign exchange Losses, net	(300.5)	(324.6)	(7)%
Derivatives	161.4	230.2	(30)%
<b>Financial results, net</b>	<b>(982.8)</b>	<b>(893.6)</b>	<b>10%</b>

*Finance Expenses.* Our financial expenses primarily consist of: (1) accrued interest on our indebtedness, such as debt, taxes and contingences; (2) interest and indexation charges related to our financial debt; and (3) fees, commissions and other charges paid to financial institutions.

Financial expenses in the fiscal year ended December 31, 2014 totaled R\$1,060.8 million, as compared to R\$1,038.6 million in the unaudited twelve-month period ended December 31, 2013.

Our debt charges represented a decrease of 7%, when compared to the unaudited twelve-month period ended December 31, 2013, mainly due to lower average indebtedness. The decrease was mainly attributable to the payment of the principal of the debentures issued in 2012 in the total amount of R\$ 1,400.0 million. This decrease was offset by an increase in bank charges in the period mainly due to consent fees regarding internal reorganization and prospective acquisitions.

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

Financial income during the fiscal year ended December 31, 2014 totaled R\$217.1 million, compared to financial income of R\$239.4 million during the unaudited twelve-month period ended December 31, 2013, due to a decrease in interest income.

*Foreign exchange losses, net.* Foreign exchange variation, net resulted in a net exchange loss of R\$300.5 million in the fiscal year ended December 31, 2014 compared to a net loss of R\$324.6 million in the unaudited twelve-month period ended December 31, 2013. The foreign exchange losses occurred due to the depreciation of the *real* against the U.S. dollar. Our gross indebtedness denominated in a foreign currency was R\$4,508.1 million at December 31, 2014, compared to R\$3,814.9 million at December 31, 2013.

*Derivatives.* Derivatives resulted in a gain of R\$161.4 million in the fiscal year ended December 31, 2014 compared with a net gain of R\$230.2 million in the twelve-month period ended December 31, 2013.

***Income tax (expense) benefit***

Income tax expenses decreased to R\$43.8 million for the fiscal year ended December 31, 2014, compared to R\$103.3 million in the unaudited twelve-month period ended December 31, 2013, mainly due to a tax credit on accumulated losses (tax shield) which benefited our Other Businesses segment.

***Net income attributable to owners of the Parent***

As a result of the foregoing, net income attributable to our owners of the parent was R\$171.0 million in the fiscal year ended December 31, 2014, compared to R\$215.2 million in the unaudited twelve-month period ended December 31, 2013, a decrease of 21% after deducting net income attributable to non-controlling interests of R\$471.5 million and R\$483.5 million in the fiscal year ended December 31, 2014 and the twelve-month period ended December 31, 2013, respectively.

**Table of Contents**

**B. Liquidity and Capital Resources**

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

our ability to generate cash flow from our operations;

the level of our outstanding indebtedness and related accrued interest, which affects our net financial expenses;

prevailing Brazilian and international interest rates, which affects our debt service requirements;

our ability to continue to borrow funds from Brazilian and international financial institutions and to obtain pre-export financing from certain of our customers;

our capital expenditure requirements, which consist primarily of investments in crop planting and the purchase of equipment;

credit ratings, including factors that may materially influence credit ratings, implications of potential changes in ratings and management's expectations; and covenant compliance, including the implications of a breach of financial or other covenants and the company's capacity for additional borrowing under its covenants.

Our cash needs have traditionally consisted of working capital requirements, servicing of our indebtedness, capital expenditures related to investments in operations, maintenance and expansion of plant facilities, as well as acquisitions. Our sources of liquidity have traditionally consisted of cash flows from our operations and short and long-term borrowings. We have financed acquisitions through seller financing, third-party financing or capital contributions by our shareholders. We believe our current working capital is sufficient for our present requirements and would expect to meet any potential shortfalls in our working capital needs through short- and long-term borrowings, capital contributions by our shareholders, or offerings of debt or equity securities in the domestic and international capital markets. In the fiscal years ended December 31, 2015 and 2014, the transition period ended December 31, 2013, the cash flow used in investing activities was funded mainly by increased borrowing. As of December 31, 2015, our consolidated cash and cash equivalents (not including investment securities) amounted to R\$3,505.8 million, compared to R\$1,649.3 million for the fiscal year ended December 31, 2014, R\$1,509.5 million for the nine-month period ended December 31, 2013.

On December 31, 2015, Cosan Logística had a negative consolidated working capital of R\$ 2,002.0 million. Management has been working on actions to mitigate any significant uncertainty over the Cosan Logística's ability to continue operating in the foreseeable future, which includes a Company commitment to provide up to R\$ 750.0 million in cash either as debt or equity financing.

***Cash Flow from Operating Activities***



The net cash flows generated by operating activities in the fiscal year ended December 31, 2015 were R\$3,350.6 million, compared to net cash flows generated by operating activities of R\$1,117.2 million in the fiscal year ended December 31, 2014. This increase was mainly due to the better results of the Company in all business, as a result of the ALL Acquisition. For the nine-month period to December 31, 2013, cash flows generated from operating activities were R\$1,130.3 million.

---

**Table of Contents*****Cash Flow Used in Investing Activities***

Net cash flows used in investing activities were R\$1,003.1 million in the fiscal year ended December 31, 2015, compared to R\$331.7 million in the fiscal year ended December 31, 2014. This variation was mainly attributable to the acquisition of the property, software and other intangibles additions, in an amount of R\$2,012.2 million during the period. For the nine-month period ended December 31, 2013, cash flows used in investing activities were R\$504.9 million. See also Capital Expenditures.

***Cash Flow from Financing Activities***

Net cash flows from financing activities were R\$542.6 million in the fiscal year ended December 31, 2015, compared to net cash flows from financing activities of R\$635.5 million in the fiscal year ended December 31, 2014. This variation was mainly due to financial instruments, loans and borrowings paid in the period, in an amount of R\$5,553.4 million, which R\$ 3,205 million paid by Cosan Logistics impacted by the merger of ALL. For the nine-month period ending December 31, 2013, net cash flows from financing activities were R\$673.4 million.

***Indebtedness***

As of December 31, 2015, our outstanding debt totaled R\$18,829.7 million of which R\$2,775.5 million was short-term debt. Our debt consisted of R\$11,863.3 million in local currency-denominated debt and R\$6,965.9 million in foreign currency-denominated debt.

Our total debt of R\$18,829.7 million at December 31, 2015 increased 121.5% as compared to our total debt of R\$8,502.6 million at December 31, 2014, primarily reflecting the ALL Acquisition. Our short-term debt, comprised of our current portion of long-term debt and interest accrued, represented 14.7% of our total indebtedness at December 31, 2015. Our U.S. dollar-denominated debt at December 31, 2015 represented 35.5%, and our British pound sterling-denominated debt represented 1.7% of our total indebtedness. Our secured debt at December 31, 2015 represented 7.99% of our total indebtedness, mostly in the form of land mortgage deeds, assignment/pledge of credit rights, machinery and equipment, sugar and ethanol.

Certain of our long-term debt agreements, require us or certain of our subsidiaries, as applicable, to comply with certain financial and negative covenants, including our US\$200 million and US\$300 million 8% perpetual notes, our US\$500 million 5% notes with maturity at 2023 and our R\$850 million 9.5% notes with maturity at 2018, which limits the ability of their subsidiaries to, among other things, enter into certain transactions with shareholders or affiliates, engage in a merger, sale or consolidation transactions and create liens.

The Company, its subsidiaries are subject to certain restrictive financial covenants set forth in existing loans and financing agreements. For the fiscal year ended December 31, 2015, the Company, its subsidiaries were in compliance with their debt covenants.

The principal financing activities for the fiscal year ended December 31, 2015 are described below:

On September 4, 2015, COMGÁS entered into a loan agreement with BNDES in the amount of R\$ 370.6 million, to support part of its investment plan for the years 2015 to 2017;

On December 15, 2015, COMGÁS realized its 4<sup>th</sup> issuance of simple, unsecured, non-convertible debentures. The funds raised in the amount of R\$592 million, were intended primarily to finance the expansion plan and support plan, and includes investments in information technology projects in order to give support expansion plan and to the support plane;

On April 4, 2015, Rumo Logística realized its first issue of simple unsecured debentures, not convertible into shares. The funds raised on single set in the amount of R\$ 1,400 million, were intended to prepay the 8<sup>th</sup> and 9<sup>th</sup> issuances of debentures by ALL Holding S.A.; and

During 2015, Rumo entered into working capital loans in an amount of R\$ 975 million. Part of them are denominated in U.S. dollars (in an aggregate amount equivalent to R\$ 467 million) and part in *reais* (in an aggregate amount of R\$ 508 million). Additionally, BNDES disbursed an amount of R\$ 818 million, via the FINEM and FINAME financing programs, in order to support the investment/expansion plan.

**Table of Contents**

The table below shows the profile of our debt instruments:

Description	Index	Interest			Maturity	
		Annual interest	December 31, 2015	December 31, 2014		December 31, 2013
<b>Loan and borrowings</b>						
BNDES	URTJLP	8.75%	2,851.8	13.2	Aug-2029	
	Fixed	5.50%	1,016.2	307.2	277.3	Feb-2025
	TJ462	9.89%	809.7	834.6	525.6	Oct-2020
	Selic	16.20%	298.3	274.0	159.9	Oct-2020
	TJLP	9.82%	176.9	288.2	526.7	Oct-2018
	Selic	15.75%	5.6			Sep-2020
	Fixed	4.00%	4.7	3.4		Jan-2024
	IPCA	19.25%	4.2	3.5		Nov-2021
	URTJLP	10.85%	0.2	457.6	428.9	Jan-2017
EIB	US\$ + LIBOR	2.16%	869.0	691.5	633.2	Sep-2021
Foreign loans	LIBOR Sterling	3.95%	312.9	224.0	209.3	Dec-2019
FRN	US\$	2.63%	216.1			Jan-2017
ECN	112% of CDI	15.97%	406.8			Sep-2019
	109% of CDI	15.51%	304.6			Oct-2018
	US\$	3.40%	126.7			Jul-2016
	110% of CDI				393.6	
Perpetual Notes	US\$	8.25%	1,976.7	1,344.8	1,186.2	
Resolution 4131*	US\$	3.11%	477.7	29.3		Oct-2020
	US\$ + LIBOR	2.40%	471.0	466.5	413.5	Mar-2018
	US\$ + LIBOR	1.76%	406.3	266.0		Nov-2016
Senior Notes Due 2018	Fixed	9.50%	875.4	874.5	873.6	Mar-2018
Senior Notes Due 2023	US\$	5.00%	2,009.3	1,352.8	1,086.7	Mar-2023
FINEP**	Fixed	5.00%	137.1	165.0	89.1	Nov-2020
Trade banks	CDI + 3.50% p.a.	18.13%	205.8			Sep-2016
	CDI + 4.91% p.a.	19.74%	195.6			Jun-2019
	Fixed	20.98%	3.9			Jun-2016
Working capital	CDI + 2.50% p.a.	17.00%	388.2			Dec-2018
	US\$ + LIBOR	4.45%	100.1	133.2	262.8	Sep-2021
	CDI + 0.28% p.m.	18.03%	25.0			Dec-2016
	121.10% of CDI	17.37%	10.1			Nov-2016
	CDI + 1.43% p.a.	15.80%		85.6		
	CDI + 1.20% p.a.	15.50%		101.5		
	118% of CDI	16.89%	17.8	7.6		Apr-2016
Other					1.1	
			<b>14,703.7</b>	<b>7,924.0</b>	<b>7,067.5</b>	
<b>Debentures</b>						
Convertible debentures	URTJLP	8.58%	2.6			Jun-2016
Non-convertible debentures	CDI + 2.05% p.a	16.48%	1,431.6			Apr-2018

Edgar Filing: Cosan Ltd. - Form 20-F

CDI + 1.30% p.a.	15.62%	775.2			Oct-2017
IPCA	18.79%	594.2			Dec-2025
108% of CDI	15.35%	526.3			Jul-2018
IPCA	16.53%	484.2	447.4	417.2	Sep-2020
Fixed	10.10%	161.2			Oct-2020
CDI	15.17%	119.8	131.2	164.1	Sep-2019
% of net revenue		30.3			Jun-2016
CDI				1,443.9	
		<b>4,125.4</b>	<b>578.6</b>	<b>2,025.2</b>	
<b>Consolidated Debt</b>		<b>18,829.1</b>	<b>8,502.6</b>	<b>9,092.7</b>	
<b>Current</b>		<b>2,775.5</b>	<b>1,056.4</b>	<b>1,050.6</b>	
<b>Non-current</b>		<b>16,053.6</b>	<b>7,446.2</b>	<b>8,042.1</b>	

\* Resolution 4,131: funds raised outside of Brazil with several financial institutions

\*\* FINEP: Funding Authority for Studies and Projects

**Table of Contents****Working Capital**

As of December 31, 2015, we had a negative working capital of R\$87.4 million, compared to R\$594.2 million as at December 31, 2014. The difference between the position at December 31, 2015 and December 31, 2014 was primarily attributable to a decrease in current liabilities which was caused by an increase in liabilities assumed in the ALL s business combination.

**Capital Expenditures**

Our capital expenditures in property, plant and equipment, including acquisitions (net of cash acquired), expenditures for crop formation and expenditures for purchases of land, were R\$2,012.2 million during the fiscal year ended December 31, 2015, compared to R\$1,063.4 million during the fiscal year ended December 31, 2014. For the unaudited twelve-month period ended December 31, 2013 capital expenditures were R\$1,227.5 million. For the nine-month period ended December 31, 2013 capital expenditures were R\$976.1 million.

The following table sets forth our capital expenditures for the fiscal years ended December 31, 2015 and 2014, the unaudited twelve-month period ended December 31, 2013 and the nine-month period ended December 31, 2013:

	For Fiscal Year Ended December 31, 2015	For Fiscal Year Ended December 31, 2014	For the Twelve-Month Period Ended December 31, 2013 <sup>(1)</sup>	For the Nine-Month Period Ended December 31, 2013
	(in millions of reais)			
Rumo	1,405.5	273.6	255.1	198.0
Radar	1.9	1.1	2.4	0.1
COMGÁS	521.2	661.3	852.2	677.7
Lubricants	43.5	52.2	97.4	81.4
Other business	40.1	75.2	20.4	19.0
<b>Total consolidated capital expenditures</b>	<b>2,012.2</b>	<b>1,063.4</b>	<b>1,227.5</b>	<b>976.1</b>

(1) Unaudited.

The main planned and undergoing projects related to capital expenditures are described in Item 4. Information on the Company D. Property, Plant and Equipment. We expect to fund such planned and undergoing projects primarily through our and our subsidiaries working capital and existing or new indebtedness.

As of December 31, 2015, the Company through its subsidiary Rumo, has contractual commitments in 2016 for the improvement of the railway network, to expand the logistics segment through 2016, for an amount of R\$1,405.5 million. And, through its subsidiary COMGÁS, the Company has contractual commitments for the acquisition of intangible assets of R\$521.2 million for the support and administration of the gas distribution network, as well as administrative and technology costs. We expect to fund such commitments through cash from operations.

**C. Research and Development, Patents, Licenses, etc.**

See Item 4. Information on the Company B. Business Overview Research and Development.

**Table of Contents****D. Trend Information**

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

**E. Off-Balance Sheet Arrangements***Acquisition of assets*

Following the postponement of the 2014 Five-Year Tariff Review 2014 as a result of the publications of ARSESP Resolutions No. 493 and No. 494, both of which were published on May 27, 2014, which approved the Tariff Review Process of Gas distribution companies in the State of São Paulo, defining event schedule, and the Provisional adjustment of marketing margins of São Paulo Gas Company COMGÁS, we are not subject to any set regulatory commitment to purchase assets as of December 31, 2015 and 2014.

*Operating Leases*

At December 31, 2015, the future minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2015	December 31, 2014
	(in thousands of reais)	
<b>Future minimum</b>		
Lease payments		
Less than one year	22,788	60,688
Between one and five years	24,364	274,310
More than five years	13,528	
	<b>60,680</b>	<b>334,998</b>

**F. Tabular Disclosure of Contractual Obligations***Contractual Financial Obligations*

The following table sets forth the maturity schedule of our material contractual financial obligations (contracted undiscounted cash flows basis) at December 31, 2015:

	Less than 1 year	1 to 2 years	3 to 5 years	More than 5 years
Total	(in millions of reais)			



Edgar Filing: Cosan Ltd. - Form 20-F

Loans, borrowings and debentures <sup>(1)</sup>	(29,450.1)	(3,980.9)	(4,384.6)	(11,791.9)	(9,292.7)
Trade payables	(1,965.0)	(1,964.0)	(1.0)		
Other financial liabilities	(236.7)	(236.7)			
Tax Amnesty and Refinancing Program REFIS	(64.5)	(12.8)	(11.9)	(24.0)	(15.8)
Leases	(2,132.5)	(715.5)	(551.2)	(642.6)	(223.1)
Advances on real estate credits	(382.6)	(138.9)	(138.9)	(104.8)	
<b>Total</b>	<b>(34,231.4)</b>	<b>(7,048.8)</b>	<b>(5,087.6)</b>	<b>(12,563.3)</b>	<b>(9,531.6)</b>

<sup>(1)</sup> Include future interests based on the applicable rates at December 31, 2015

**Table of Contents**

Since December 31, 2015, there have been no material changes to the contractual obligations described above.

Our long-term debt consists primarily of:

R\$875.4 million in senior notes due March 2018;

R\$2,009.3 million in senior notes due March 2023;

R\$5,167.5 million in BNDES (finance lease) financing due between 2017 and 2029;

R\$1,976.7 million in perpetual notes with call option for Cosan beginning on November 5, 2015;

R\$541.2 million in working capital due 2021;

R\$869 million in the form of a loan from the European Investment Bank (EIB) due 2021;

R\$1,355.1 million in the form of a Resolution 4,131-type due February 2020;

R\$4,125.4 million in debentures due between 2016 and 2025;

R\$838.1 million in export credit notes (ECN) due 2019;

R\$ 405.3 million in the form of loans from trade banks due between 2016 and 2019; and

R\$666.2 million in other debts.

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

***Sales Commitments***

None.

**Recently Issued Accounting Standards**

New IASB accounting standards have been published and/or reviewed and may be adopted for the current fiscal year, as described below. Except as described below, there are no other standards and interpretations issued but not yet adopted that may, in management's opinion, have a significant impact on the results or equity disclosed by the

Company.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company has yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13-Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 Leases

IFRS 16-Leases was issued on January 13, 2016. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. For lessees, the lease becomes an on-balance sheet liability that attracts interest, together with a new asset on the other side of the balance sheet. In other words, lessees will appear to become more asset-rich but also more heavily indebted. The new standard takes effect in January 2019.

**Table of Contents****G. Safe harbor**

See Forward-Looking Statements.

**Item 6. Directors, Senior Management and Employees**

Our board of directors and our executive officers are responsible for the operation of our business. Nevertheless, Mr. Rubens Ometto Silveira Mello, who controls all of our class B series 1 common shares, has the overall power to control us, including the power to establish our management policies.

**A. Directors and Senior Management****Board of Directors**

Our by-laws provide that our board of directors shall consist of between five and eleven directors. Our board of directors currently consists of eleven directors.

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

Our board of directors is divided into three classes (Class I, Class II and Class III) that are, as nearly as possible, of equal size. Each class of directors is elected for a three-year term of office, and the terms are staggered so that the term of only one class of directors expires at each annual general meeting. Members of our board of directors are subject to removal at any time with or without cause at a general meeting of shareholders. Our by-laws do not include any citizenship or residency requirements for members of our board of directors.

The following table lists the members of our board of directors:

Name	Initial Year of Appointment to Cosan		Class <sup>(1)</sup>	Position Held		Year of Birth
	Limited s Board	S.A. s Board		Limited	S.A.	
Rubens Ometto Silveira Mello	2007	2000	III	Director	Chairman	1950
Marcelo Eduardo Martins	2009	2009	III	Director	Director	1966
Mailson Ferreira da Nóbrega <sup>(2)</sup>	2007	2008	I	Director		1942
Marcos Marinho Lutz					Vice Chairman	
	2007	2015	II	Director	Chairman	1969
Pedro Isamu Mizutani	2007	2000	III	Director		1959
Marcelo de Souza Scarcela Portela					Director/ General	
	2007	2009	II	Director	Counsel	1961
José Alexandre Scheinkman <sup>(2)</sup>	2007		I	Director		1948
Burkhard Otto Cordes	2008	2005	II	Director	Director	1975
Hélio França Filho <sup>(2)</sup>	2009		III	Director		1959

Edgar Filing: Cosan Ltd. - Form 20-F

Dan Ioschpe <sup>(2)</sup>	2015	2014	II	Director	Director	1967
Roberto de Rezende Barbosa	2015		II	Director		1950

- (1) The terms of the directors expire as follows: Class I Directors at the annual general meeting referred to the fiscal year 2017; Class II Directors at the annual general meeting referred to the fiscal year 2015; and Class III Directors at the annual general meeting referred to the fiscal year 2016.
- (2) Independent director.

**Table of Contents**

The following is a summary of the business experience of our current directors. Unless otherwise indicated, the business address of our current directors is Av. Presidente Juscelino Kubitschek, 1327, 4th floor, São Paulo, SP, Brazil.

*Rubens Ometto Silveira Mello.* Mr. Mello is our director and chairman. He is also chairman of the board of directors of Cosan S.A. He holds a degree in mechanical engineering from the Escola Politécnica of the University of São Paulo (1972). Mr. Mello has more than 30 years of experience in the management of large companies. He has also served as general director and chairman of the board of directors of Costa Pinto S.A. since 1980, vice president of Pedro Ometto S.A. Administração e Participações since 1980, director of Cosan Operadora Portuária S.A. since 1998, chairman of the board of directors of FBA from 2001 until its merger into Corona, and is currently the chairman of the boards of Cosan S.A., COMGÁS and Raízen. He also holds the position of director of UNICA, the Sugarcane Agroindustry Association of the State of São Paulo (*UNICA União da Agroindústria Canavieira do Estado de São Paulo*). Prior to joining Cosan, Mr. Mello worked from 1971 to 1973 as an advisor to the board of executive officers of UNIBANCO União de Bancos Brasileiros S.A., and from 1973 to 1980 as chief financial officer of Indústrias Votorantim S.A.

*Marcelo Eduardo Martins.* Mr. Martins has been a member of our board of directors and of Cosan S.A.'s board of directors since March 23, 2009. Mr. Martins also holds the position of chief financial officer. His duties include identifying acquisition opportunities and implementing takeovers as well as business development activities for which the company may have strategic interest in the future. In July 2007, Mr. Martins was appointed as an executive officer of Aguassanta Participações S.A. Prior to joining the Cosan Group, Mr. Martins was the Chief Financial and Business Development Officer of Votorantim Cimentos between July 2003 and July 2007 and, prior to that, head of Latin American Fixed Income at Salomon Smith Barney (Citigroup) in New York. He has significant experience in capital markets, having worked at Citibank (where he began his career as a trainee in 1989), Unibanco, UBS and FleetBoston. He has a degree in business administration from the Getúlio Vargas Foundation, majoring in finance.

*Mailson Ferreira da Nóbrega.* Mr. Nóbrega has been a member of our board of directors and of Cosan S.A.'s board of directors since November 2007. He is an economist and was Brazil's Minister of Finance from 1988 to 1990. He was previously Technical Consultant and Chief of Project Analysis Department at Banco do Brasil; Coordination Chief of Economic Affairs of the Ministry of Industry and Commerce and Secretary General of the Ministry of Finance. He performed as the chief executive officer of the European Brazilian Bank EUROBRAZ, in London. Mr. Nóbrega is also member of the board of directors of the following companies: Abyara Planejamento Imobiliário, CSU Cardsystem S.A., Grendene S.A., Portobello S.A., Rodobens Negócios Imobiliários S.A., TIM Participações S.A. and Veracel Celulose S.A.

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

*Pedro Isamu Mizutani.* Mr. Mizutani has been a member of our board directors since 2007. He has been a member of Cosan S.A.'s board of directors since 2000. He has served as Cosan S.A.'s managing director since 2001, and served as Cosan's chief operating officer until June 2011. Currently Mr. Mizutani is Raízen's Vice-President for Institutional Relations. Mr. Mizutani holds a production-engineering degree from the Escola Politécnica of the University of São Paulo (1982), a postgraduate degree in finance from UNIMEP Universidade Metodista de Piracicaba (1986) and a master's degree in business management from FGV Fundação Getúlio Vargas, São Paulo, with an extension degree

from Ohio University (2001). Mr. Mizutani has more than 20 years of experience in finance and administration with companies in the ethanol and sugar industries. He also served as a planning director of Usina Costa Pinto S.A. from 1983 to 1987, as financial manager from 1987 to 1988, and as administrative and financial director from 1988 to 1990. From 1990 to 2001, he acted as administrative and financial director of the group.

**Table of Contents**

*Marcelo de Souza Scarcela Portela.* Mr. Portela is a member of our board of directors and is also Cosan S.A.'s legal vice president, and a member of the board of directors. He holds a law degree from Faculdade de Direito da Universidade de São Paulo (1983), and completed graduate studies in commercial law from Faculdade de Direito da Universidade de São Paulo (1988) and McGill University Law School (1990) in Montréal, QC, Canada.

*José Alexandre Scheinkman.* Mr. Scheinkman is a member of our board of directors. He is the Theodore A. Wells 29 Professor of Economics at Princeton University. He has a bachelor's degree in economics from the Federal University of the State of Rio de Janeiro (1969), a master's degree (1973) and doctorate degree (1974) in economics from the University of Rochester, and a master's degree in mathematics from Instituto de Matemática Pura e Aplicada (Brazil) (1976). Mr. Scheinkman is a Fellow of the American Academy of Arts and Sciences, a Fellow of the Econometric Society, and received a *docteur honoris causa* from the Université Paris-Dauphine. In 2002, he was a Blaise Pascal Research Professor (France). Professor Scheinkman is a member of the Conseil Scientifique of the Institute Europlace de Finance (Paris) and a member of the Conselho Acadêmico of IBMEC (São Paulo). Previously, he was the Alvin H. Baum Distinguished Service Professor and Chairman of the Department of Economics at the University of Chicago, Vice President in the Financial Strategies Group of Goldman, Sachs & Co., co-editor of the *Journal of Political Economy* and a member of the advisory panel in economics to the Sloan Foundation.

*Burkhard Otto Cordes.* Mr. Cordes has been a member of our board of directors since 2008 and of Cosan S.A.'s board of directors since 2005. He graduated in business administration from Fundação Armando Álvares Penteado (1997) and he holds a master's degree in finance from IBMEC-SP (2001). Mr. Cordes has worked in financial markets. He worked at Banco BBM S.A., a company owned by Grupo Mariani, where he worked at its commercial division focusing corporate and middle market segments. Before holding his current position, he had worked at IBM Brasil in its financial division. Mr. Cordes is Mr. Mello's son-in-law.

*Hélio França Filho.* Mr. França Filho has been a member of our board of directors since August 2009. He joined Gavea's Iliquid Strategies Group in April 2007, focusing primarily on the commodities sector. With over 20 years of experience in the commodities sector, Mr. Franca Filho began his career with the Sucres & Denrées group, where he worked from 1984 to 1985 trading coffee, sugar and cocoa. He subsequently joined the Louis Dreyfus group in New York, where he was in charge of the Latin American sugar and ethanol market from 1985 to 1996. From 2000 to 2007, he was director of Brazilian operations for the Noble group, a commodities trading company listed in England and Singapore. Mr. Franca Filho has a degree in economics from the Pontifical Catholic University of Rio de Janeiro (PUC-RJ).

*Dan Ioschpe.* Mr. Ioschpe graduated from the Federal University of Rio Grande do Sul with a bachelor's degree in Business Administration, and also has a postgraduate degree from the Escola Superior de Propaganda e Marketing as well as a Masters' degree in business administration (MBA) from the Tuck School of Business at Dartmouth College (in the United States). He joined Iochpe-Maxion in 1986, where he held several positions until June 1996, when he left to take the presidency of AGCO in Brazil. He returned to Iochpe-Maxion in January 1998, becoming chief executive officer in the same year. He remained chief executive officer until March 2014, when he became chairman of the board of directors of Iochpe-Maxion.

*Roberto de Rezende Barbosa.* Mr. Barbosa has been a member of Cosan S.A.'s board of directors since 2009. He worked as a trainee at Halles Bank and the Dacon dealership, assuming the family business in 1975. He was the chief executive officer of Grupo Nova América and is currently the chief executive officer and a board member at CTC Centro de Tecnologia Canavieira, and a board member at SCA Sociedade Corretora de Álcool, IEDI Institute of Industrial Development Studies and UNICA the Federation of Sugarcane Industries of São Paulo State.





**Table of Contents****Executive Officers**

Our executive officers serve as our executive management body. They are responsible for our internal organization and day-to-day operations and for the implementation of the general policies and guidelines established from time to time by our board of directors.

Our executive officers are elected by our board of directors for two-year terms and are eligible for reelection. Our board of directors may remove any executive officer from office at any time with or without cause. Our executive officers hold meetings when called by any of our executive officers.

The following table lists our current executive officers:

Name	Initial Year of Appointment			Position Held at			Year of Birth
	Cosan Limited	Cosan S.A.	Cosan Logística S.A.	Cosan Limited	Cosan S.A.	Cosan Logística S.A.	
Marcos Marinho Lutz	2007	2009	2014	Chief Executive Officer	Board Member	Chief Executive Officer and Vice-Chairman	1969
Marcelo Eduardo Martins	2009	2009	2014	Chief Financial Officer and Board Member	Board Member	Chief Financial Officer and Board Member	1966
Marcelo de Souza Scarcela Portela		2009	2014	General Counsel and Board Member	Legal Vice President and Board Member	Legal Vice President	1961
Paula Kovarsky Rotta	2015	2016		Investor Relations Officer	Investor Relations Officer		1974

The terms of the executive officers expire as follows: for Cosan Limited officers in March 2017, for Cosan S.A. officers in April 2017 and for Cosan Logística S.A. officers in April 2017.

Cosan Limited's officers are Marcos Marinho Lutz, Marcelo Eduardo Martins, Marcelo de Souza Scarcela Portela and Paula Kovarsky Rotta. Cosan S.A.'s officers are Mario Augusto da Silva, Marcelo de Souza Scarcela Portela, Paula Kovarsky Rotta and Ricardo Mussa. Cosan Logística's officers are Marcos Marinho Lutz, Marcelo Eduardo Martins and Marcelo de Souza Scarcela Portela.

The following is a summary of the business experience of Cosan Limited, Cosan S.A.'s and Cosan Logística's executive officers who are not Cosan Limited directors. Unless otherwise indicated, the business address of the executive officers is Av. Presidente Juscelino Kubitschek, 1327, 4<sup>th</sup> floor, São Paulo, SP, Brazil.

*Mario Augusto da Silva.* Mr. da Silva is Cosan S.A.'s chief executive officer. Mr. da Silva has around 20 years of professional experience and has worked at companies such as PricewaterhouseCoopers, Booz Allen Hamilton and Odebrecht. In the last three years, he served as Chief Financial and Investor Relations Officer of Braskem S.A. He

holds a bachelor's degree in business administration from Universidade de Salvador, and an MBA from Harvard Business School.

*Paula Kovarsky Rotta.* Mrs. Kovarsky is the investor relations officer of each of Cosan Limited and Cosan S.A. She has a bachelor's degree in engineering from the Pontifícia Universidade Católica do Rio de Janeiro and a masters of business administration with a specialization in finance from Ibmecc. She has approximately 19 years of professional experience and has previously worked for Shell and Itaú BBA.

*Ricardo Mussa.* Mr. Mussa is the executive officer responsible for lubricants at Cosan. He has a bachelor's degree in production engineering from the Escola Politécnica da Universidade de São Paulo. He has held various positions in the supply chains of multinationals such as Unilever and Danone, principally in the agricultural commodities purchasing area. He was national logistics manager for Danone in 2007 and manufacturing manager at the principal cosmetics plant of Unilever in Latin America in 2006 and 2007. He was also global director for purchasing of oils and fats at Unilever and responsible for agricultural commodities purchasing in over 25 countries. In 2002, he worked for Unilever USA in Connecticut in the strategic purchasing sector he also worked in the planning department and was also responsible for the purchasing of chemical products in Latin America. He joined Cosan in 2007 and was one of the founders of Radar, and its chief executive officer for five years. In 2014, he took the helm of Cosan's lubricants business.

**Table of Contents*****Key managers***

<b>Name</b>	<b>Initial Year of Appointment</b>		<b>Position Held</b>	<b>Cosan</b>	<b>Year of Birth</b>
	<b>to</b>	<b>Cosan S.A.</b>			
Mario Augusto da Silva	2016		Chief Executive Officer		1976
Nelson Roseira Gomes Neto	2015		Chief Executive Officer	COMGÁS	1970
Ricardo Mussa	2014		Lubricants Executive Officer	Cosan S.A.	1975

The following is a summary of the business experience of our key managers.

*Mario Augusto da Silva.* See Executive Officers.

*Nelson Roseira Gomes Neto.* Mr. Gomes Neto is COMGÁS's chief executive officer. He holds a bachelor's degree in engineering from Catholic University (1992), a master's degree in corporate finance from PUC-IAAG Master (1998) and a master's degree in business administration from COPPEAD (2001). He joined Exxon Mobil Corporation in 1991 as a trainee. Throughout the course of his career, he has served in positions of increasing managerial responsibility in several business lines such as Fuels Marketing, Convenience Retailing, Natural Gas, and since 2001 part of Lubricants business. In February 2008 he was appointed Brazil Lubricants Officer to Esso Brasileira de Petróleo Limitada, and in December 2008, Lubricants Vice President.

*Ricardo Mussa.* See Executive Officers.

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

*Vasco Dias* was the chief executive officer of the Joint Venture until March 31, 2016. Vasco joined Shell in 1979 and was formerly the President of Shell Brasil. He occupied positions of increasing responsibility in Brazil and abroad throughout his career and participated, in the Hague, in the team that led the global restructuring of the Shell Group. He returned to Brazil in 1997 to hold the position of CEO of Shell Gas and, as of 2005, Retail Vice President for Latin America and Country Chair of Shell in Brazil.

*Luis Henrique Guimarães* became chief executive officer of the Joint Venture on April 1, 2016. He was formerly the chief executive officer of COMGÁS, and after that the Fuels Operational Officer and responsible for the Joint Venture's Downstream division, which covers the retail, commercial and aviation businesses. Mr. Guimarães joined Shell in 1987 and worked in several positions in the lubricants and retail businesses in Brazil and abroad (based in London). In 2007, he became Shell's Chief Marketing Officer for Lubricants in North America, based in Houston.

*Guilherme José de Vasconcelos Cerqueira* is the chief financial officer and officer for investor relations of the Joint Venture. Since 1988, Mr. Cerqueira has held several positions within the Shell Group, including management positions at Shell International Ltd., in London, United Kingdom, between 2004 and 2007. At Raízen, he held the position of controller from Raízen's creation in April 2011 until April 2014, when he became chief financial officer responsible for finance, contracting, procurement and investor relations. Mr. Cerqueira led the team responsible for the issuance of Raízen's first asset-backed bond (Agriculture Receivable Security) at the end of October 2014 which opened the market for the whole industry: the transaction gathered interest from over 2,000 investors and raised R\$ 675 million. He has a bachelor's degree in Mechanical Engineering from the Universidade Federal do Rio de Janeiro.

He also holds an MBA from COPPEAD.

*Pedro Mizutani* is the Vice President of External Affairs at Raízen. He was the Sugar, Ethanol and Energy Operational Officer from 2011 to 2015 and was previously chief executive officer of Cosan S.A. Açúcar e Álcool. He maintains his responsibilities on sugar and ethanol production and cogeneration in the Joint Venture, with ultimate responsibility for the Sugar and Ethanol division. Mr. Mizutani has 28 years of experience in the sugar and energy sector and started his professional career at Cosan in the 1980s, having taken positions of increasing responsibility up to his current one. He is a member of the Board of Directors of UNICA and a professor at Fundação Getúlio Vargas's post-graduation course.

---

## **Table of Contents**

*João Alberto Abreu* became Vice-President of Ethanol, Sugar and Bioenergy at Raízen Energia. He has a bachelor's degree in production/mechanics engineer from Pontifícia Universidade Católica in Rio de Janeiro and a MBA from Fundação Dom Cabral. He also took extensive courses in business at the University of Pennsylvania. Mr. Abreu worked for 18 years at Shell in England and Argentina, and in positions such as General Manager of Network in Latin America and General Manager of Sales and Operations in Brazil. He was Executive Director and member of the board of directors at Petróleo Sabbá, an affiliate of Raízen which operates in northern Brazil, and is currently a member of the board of directors of Iogen Energy. In 2012 Mr. Abreu became Bioenergy Director and Chief Technology Officer. He was responsible for the increase of 40% at the EBITDA of the department and for the development and implementation of the first integrated cellulosic ethanol plant worldwide, a US\$ 110 million project. In 2014, he became Agroindustrial executive director at Raízen.

*Leonardo Gadotti Filho* is the Executive Officer and manages logistics, supply and distribution for the Joint Venture. Mr. Leonardo Gadotti joined Esso Brasileira in 1980 as an intern and took positions of increasing responsibility in Brazil and abroad. He is currently the President of Sindicom, a board member of the Brazilian Institute for Ethics in Competition (*Instituto Brasileiro de Etica Concorrencial*) and a board member of the Brazilian Institute for Petrol, Gas and Biofuels (*Instituto Brasileiro de Petroleo, Gás e Biocombustíveis*).

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

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

## **Our Relationship with our Executive Officers and Directors**

Mr. Burkhard Otto Cordes is a member of Cosan S.A.'s and Cosan Limited's boards of directors and serves as financial manager in Aguassanta Participações S.A. Mr. Cordes is Mr. Mello's son-in-law.

There are no arrangements or understandings with any of our shareholders, customers, suppliers or others, pursuant to which any director or member of our senior management has been or will be selected.

## **Committees of the Board of Directors**

### ***Audit Committee***

The members of our audit committee are Messrs. José Alexandre Scheinkman (chairman), Mailson Ferreira da Nóbrega, and Helio França Filho. Our board of directors has determined that José Alexandre Scheinkman (chairman),

Mailson Ferreira da Nóbrega, and Helio França Filho meet the independence requirements of the SEC and the NYSE listing standards. For a discussion of the role of our audit committee, see C. Summary of Significant Differences of Corporate Governance Practices Audit Committee.

***Risk Management Committee***

We have a risk management committee that is responsible for advising the board on risk management, by establishing exposure limits and hedging ratios on a periodic basis so as to achieve better operational and financial controls. The members of our risk management committee are Messrs. José Alexandre Scheinkman (chairman), Marcelo Eduardo Martins and Marcos Marinho Lutz.

---

**Table of Contents**

**B. Compensation**

Under our by-laws, our board of directors is responsible for establishing the annual aggregate compensation that we pay to the members of our board of directors and our executive officers.

The aggregate amount of compensation paid to all members of the board of directors and its executive officers during the fiscal year ended December 31, 2015, was R\$92.6 million, in the fiscal year ended December 31, 2014 was R\$79.4 million, in the transition period December 31, 2013 was R\$39.0 million. The compensation to be paid to directors and executive officers of Cosan S.A. and its subsidiaries who also act as directors or executive officers of our company will be in addition to compensation paid to them by our Company.

Our executive officers receive the same benefits generally provided to our employees. Members of our board of directors are not entitled to these benefits.

We currently have no employment agreements with our directors and executive officers providing for benefits upon the termination of employment. Our directors and executive officers who serve for both us and Cosan will receive compensation from both companies.

See E. Share Ownership Equity-Based Compensation Plans for information on the equity-based compensation plans in place at Cosan Limited and Cosan S.A.

**C. Summary of Significant Differences of Corporate Governance Practices**

The NYSE Corporate Governance Rules provide that we are required to disclose any significant differences on our corporate governance practices from those required to be followed by U.S. companies under NYSE listing standards. We have summarized these significant differences below.

We are permitted to follow practice in Bermuda in lieu of the provisions of the NYSE Corporate Governance Rules, except that we will be required to have a qualifying audit committee under Section 303A.06 of the Rules, or avail ourselves of an appropriate exemption. In addition, Section 303A.12(b) provides that our chief executive officer is obligated to promptly notify the NYSE in writing after any of our executive officers becomes aware of any material non-compliance with any applicable provisions of the NYSE Corporate Governance Rules.

***Majority of Independent Directors***

NYSE Rule 303A.01 provides that each U.S. company that is listed on the Exchange must have a majority of independent directors. Bermuda corporate law does not require that we have a majority of independent directors. Under our by-laws, at least 40% of our directors are required to be independent directors; which requirement increases to 60% following the death or permanent incapacitation of Mr. Rubens Ometto Silveira Mello.

***Separate Meetings of Non-Management Directors***

NYSE Rule 303A.03 provides that the non-management directors of each U.S. company that is listed on the Exchange must meet at regularly scheduled executive sessions without management. We are not required to have such executive sessions for the non-management directors under Bermuda law.

***Nominating and Corporate Governance Committee***



NYSE Rule 303A.04 provides that each U.S. company that is listed on the Exchange must have a nominating/corporate governance committee composed entirely of independent directors. We are not required to have such a committee under Bermuda law. We believe that, pursuant to our by-laws, the role of a nominating committee is generally performed by our board of directors and that the role of the corporate governance committee is generally performed by either our board of directors or our senior management.

***Compensation Committee***

NYSE Rule 303A.05 provides that each U.S. company that is listed on the Exchange must have a compensation committee composed entirely of independent directors. We are not required to have such a committee under Bermuda law.

**Table of Contents**

***Audit Committee***

NYSE Rule 303A.06 and the requirements of Rule 10A-3 of the SEC provide that each listed company is required to have an audit committee consisting entirely of independent members that comply with the requirements of Rule 10A-3. In addition, the company must have an internal audit function and otherwise fulfill the other requirements of the NYSE rules and Rule 10A-3 of the SEC.

While we are not required under Bermuda law to have an audit committee, we have formed a committee that has the following responsibilities:

pre-approve services to be provided by our independent auditor;

review auditor independence issues and rotation policy;

supervise the appointment of our independent auditors;

discuss with management and auditors major audit, accounting and internal control issues;

review quarterly financial statements prior to their publication, including the related notes, management's report and auditor's opinion;

review our annual report and financial statements;

provide recommendations to the board on the audit committee's policies and practices;

review recommendations given by our independent auditor and internal audits and management's responses;

provide recommendations on the audit committee's by-laws; and

the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal controls or auditing matters.

For details of the membership of our Audit Committee, see A. Directors and Senior Management Committees of the Board of Directors - Audit Committee.

***Equity Compensation Plans***

NYSE Rule 303A.08 provides that shareholders must be given the opportunity to vote on all equity compensation plans and material revisions thereto, with certain limited exemptions as described in the rule. Under Bermuda law, shareholder pre-approval is not required for the adoption of equity compensation plans nor any material revision thereto.

***Corporate Governance Guidelines***

NYSE Rule 303A.09 provides that each U.S. listed company must adopt and disclose its corporate governance guidelines. We do not have a similar requirement under Bermuda law. In addition, we have adopted a written policy of trading of securities and disclosure matters.

***Code of Business Conduct and Ethics***

NYSE Rule 303A.10 provides that each U.S. listed company must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers. Although not required under Bermuda law, the Company has adopted a code of business conduct and ethics for directors, officers and employees as provided for in NYSE Rule 303A.10, which has been filed with the SEC.

**Table of Contents****D. Employees**

As of December 31, 2015, we had 13,102 employees (excluding Raízen personnel). The following table sets forth the number of our total employees by segment for the dates indicated:

	<b>December 31, 2015 (excluding Raízen personnel)</b>	<b>December 31, 2014 (including Raízen personnel)</b>	<b>December 31, 2013 (including Raízen personnel)</b>	<b>March 31, 2013 (including Raízen personnel)</b>
Agricultural		13,950	15,236	18,208
Industrial	8,025	9,895	9,446	9,719
Administrative	3,045	5,648	4,850	5,387
Port	2,032	876	965	913
<b>Total</b>	<b>13,102</b>	<b>30,369</b>	<b>30,497</b>	<b>34,227</b>

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

Our total annual payroll was R\$761.7 million (excluding Raízen personnel) as of December 31, 2015, which includes a provision for vacations, and bonuses, taxes and social contributions.

We offer our employees, including our executive officers, various benefits, which are provided in accordance with the employee's position in our company. Benefits include medical (including dental) assistance, meal and transport vouchers, life insurance, maternity leave, scholarships and funeral assistance and nursery assistance. Members of our board of directors are not entitled to these benefits. All of our employees participate in profit sharing plans developed with the labor unions of which our employees are members, which provide performance-based compensation.

**E. Share Ownership**

As of December 31, 2015, the following members of the board of directors owned Cosan Limited shares:

<b>Name</b>	<b>Position Held Cosan Limited</b>	<b>Cosan Limited</b>	
		<b>Class A Shares</b>	<b>Common Shares</b>
Rubens Ometto Silveira Mello*	Chairman	7,307,361	96,332,044
Pedro Mizutani	Board Member	10,000	
Burkhard Otto Cordes	Board Member	5,000	

\* Shares owned directly and indirectly by Mr. Rubens Ometto Silveira Mello include the total shares of the Cosan Limited controlling group, which is not wholly-owned by him.

Other than as disclosed in the table above, none of our executive officers currently owns or holds class A common shares or class B common shares of our Company.

### **Equity-Based Compensation Plans**

#### ***Cosan Limited***

We have adopted a Cosan Limited equity incentive plan. We have reserved up to 5% of our issued and outstanding class A common shares as of the granting date for issuance under our equity incentive plan. The plan is intended to attract, retain and motivate our directors, officers and employees, to link compensation to the overall performance of the company in order to promote cooperation among our diverse areas of business and to create an ownership interest in the company with respect to these directors, officers and employees in order align their interests with the interests of our shareholders. No shares or options have been issued or granted in connection with this incentive plan.

---

**Table of Contents*****Cosan S.A. Indústria e Comércio***

At the shareholder's meeting held on July 29, 2011, the guidelines for the outlining and structuring of the stock option compensation plan for Cosan S.A.'s officers and employees were approved. These guidelines authorize the issuance of shares accounting for up to 5% of Cosan S.A.'s total capital. This stock option plan was established to attract and retain officers and key employees, offering them the opportunity to become shareholders in Cosan S.A. On August 18, 2011, Cosan S.A.'s board of directors approved a total stock option grant of up to 12,000,000 common shares to be issued or treasury shares held by Cosan S.A., corresponding to 2.41% of Cosan S.A.'s share capital at that time. On August 18, 2011, 9,825,000 options related to the shared based compensation were granted.

If a holder of stock options ceases to be an executive officer, manager or eligible employee for any reason (other than redundancy, death, retirement or permanent incapacitation), after partially exercising his or her option to purchase Cosan's common shares, the options that have not yet been exercised will be extinguished as of the date that the holder ceases to be an executive officer, manager or eligible employee.

Cosan stock options held by Cosan's executive officers may, at their option, be canceled and converted into awards of Cosan Limited, and as a result, we will comply with the limit of shares we have reserved for our equity incentive plan. Cosan's stock options will be converted based upon a ratio equal to the initial offering price of our common stock, divided by the weighted average stock price of Cosan's common stock for a specified period immediately preceding the date of the completion of our initial public offering. The converted securities, if unvested, generally will continue to vest over their original vesting periods.

On May 21, 2013, the board of directors of Cosan S.A. approved the second program of Stock Option Purchase or Subscription of Shares Calendar Year 2013. As part of this approval, the board of directors of Cosan S.A. determined that the beneficiaries may purchase or subscribe common shares of the Cosan S.A., with grants of up to 1 million shares, which options may be exercised after at least five years from the approval at a price of R\$45.22 per share (such price to be adjusted pursuant to Amplified Consumer Price Index ( IPCA ) until the date of the subscription or purchase).

On August 17, 2014, the board of directors of Cosan S.A. approved the third program of Stock Option Purchase or Subscription of Shares Calendar Year 2014. As part of this approval, the board of directors of Cosan S.A. determined that the beneficiaries may purchase or subscribe common shares of Cosan S.A., with grants of up to 320 thousand shares, which options may be exercised after at least five years from the approval at a price of R\$39.02 per share (such price to be adjusted pursuant to IPCA index until the date of the subscription or purchase).

On August 31, 2015, a total of 759,000 options to purchase or subscribe common shares of Cosan S.A. were granted following a decision to that effect by the board of directors of Cosan S.A. The weighted average strike price of such outstanding options is R\$19.96 per share (such price to be adjusted monthly pursuant to IPCA index until the date of the subscription or purchase). The options may be exercised after at least five years from the approval date.

**Item 7. Major Shareholders and Related Party Transactions****A. Major Shareholders  
Cosan Limited**

As of the date of this annual report our authorized share capital is US\$11,888,863.60, consisting of 1,000,000,000 class A common shares, par value US\$0.01 per share, 96,332,044 class B series 1 common shares, par value US\$0.01 per share and 174,355,34 class A common shares, par value US\$0.01 per share. Each of our class A common shares entitles its holder to one vote. Each of our class B common shares entitles its holder to ten votes. The chairman of our board of directors, Mr. Rubens Ometto Silveira Mello controls 38.3% of our issued and outstanding share capital, and 85.3% of our voting power by virtue of his control of 100% of our class B series 1 common shares and 4.2% of our class A common shares. No class B series 2 common shares are currently issued and outstanding. Other than the entities and individuals mentioned below, no other single shareholder holds more than 5.0% of our issued and outstanding share capital.

**Table of Contents**

The following table sets forth the principal holders of our issued and outstanding share capital and their respective shareholding as of the date of this annual report:

<b>Shareholders</b>	<b>Class A common shares</b>	<b>%</b>	<b>Class B common shares</b>	<b>%</b>	<b>Total Number of Shares</b>	<b>%</b>
Queluz Holdings Limited	5,241,111	3.01	66,321,766	68.85	71,562,877	26.44
Usina Costa Pinto S.A. Açúcar e Álcool			30,010,278	31.15	30,010,278	11.09
Gávea Investimentos Ltda. <sup>(1)</sup>	21,167,463	12.14			21,167,463	7.82
Skagen AS	16,120,419	9.25			16,120,419	5.96
MSOR Participações S.A.	1,811,250	1.04			1,811,250	0.67
Other	124,018,596	71.13			124,018,596	45.82
<b>Total shares outstanding</b>	<b>168,358,839</b>	<b>96.56</b>	<b>96,332,044</b>	<b>100.00</b>	<b>264,690,883</b>	<b>97.78</b>
Treasury shares	5,996,502	3.44			5,996,502	2.22
<b>Total</b>	<b>174,355,341</b>	<b>100.00</b>	<b>96,332,044</b>	<b>100.00</b>	<b>270,687,385</b>	<b>100.0</b>

<sup>(1)</sup> Based on information filed by Gávea Investimentos Ltda, GIF Venus, Ltd. and Armino Fraga Neto. The total number of BDRs held by Brazilian investors at December 31, 2015, was 14,269,119.

**Controlling Group: Queluz Holdings Limited, Usina Costa Pinto S.A., MSOR Participações S.A. and Usina Bom Jesus S.A. Açúcar e Álcool**

On November 24, 2009, a corporate reorganization was approved within companies from our controlling group (Aguassanta Participações S.A., Queluz Holdings Limited, or Queluz, and Usina Bom Jesus S.A. Açúcar e Álcool), intended to consolidate their control with Mr. Rubens Ometto Silveira Mello.

This reorganization resulted in the transference by an affiliate of Queluz of up to approximately 5,500,000 class A common shares issued by Cosan Limited, that did not exceed 1% of total Class A shares, pursuant to Securities Act Rule 144 and other applicable provisions. Its class B share position remained unaltered.

Queluz Holdings Limited and Costa Pinto own all of our class B series 1 common shares. Queluz Holdings Limited, MSOR Participações S.A. and Usina Bom Jesus S.A. Açúcar e Álcool also hold in aggregate 4.2% of our class A common shares. These companies are indirectly controlled by Mr. Rubens Ometto Silveira Mello, the chairman of our board of directors through several companies controlled directly and indirectly by him. Although the control is exercised by Mr. Rubens Ometto Silveira Mello, there are some family members and other individuals who are also beneficial owners of minority interests in these companies.

**Voting Rights of Principal Shareholders**

Our principal shareholders do not have voting rights distinct from those of our other shareholders of the same class of shares. See Item 10. Additional Information B. Memorandum and By-Laws.



***Cosan S.A.***

As of December 31, 2015, we owned 62.30% of Cosan S.A.'s common shares. Prior to our initial public offering, Usina Costa Pinto S.A. Açúcar e Álcool and Aguassanta Participações S.A., each company indirectly controlled by our Chairman, Mr. Rubens Ometto Silveira Mello and his family, were the controlling shareholders of Cosan.

***Rezende Barbosa***

On June 18, 2009, Cosan entered into an agreement with Rezende Barbosa to acquire 100% of the outstanding shares of Curupay S.A. Participações, or Curupay. The acquisition was carried out through the merger of Curupay into Cosan resulting in the issuance by Cosan of 44,300,389 new common shares, fully subscribed and paid-in by Rezende Barbosa.

Pursuant to an agreement dated June 9, 2009, the Rezende Barbosa Family has the right to have one member on both the supervisory board and the board of directors. Cosan Limited has, subject to limited exceptions, a right of first refusal on shares of Cosan (CSAN3) owned by the Rezende Barbosa family.

## **Table of Contents**

### ***Cosan Portuária***

On February 8, 1999, São Francisco and Tate & Lyle do Brasil Serviços e Participações S.A., or Tate & Lyle, entered into a shareholders' agreement that governs the rights of the shareholders of Cosan Portuária (formerly São Francisco Operadora Portuária de Granéis Ltda.). In April 2004, Cosan acquired 90.0% of the outstanding capital stock of Cosan Portuária through a Cosan capital increase in the amount of US\$1.5 million, which was fully subscribed by Cosan's shareholder, São Francisco, using shares that it held at Cosan Portuária.

Cosan has signed a memorandum of understanding dated April 9, 2008 with Rezende Barbosa with the intention of merging into a new entity the port terminal facilities of Cosan Portuária with those at the neighboring site of Teaçú Armazéns Gerais S.A., owned by Rezende, or the merged entity. Cosan asked Tate & Lyle to provide its approval as the minority shareholder in Cosan Portuária to the arrangements. Tate & Lyle's and Cosan's equity interests in the merged entity would be held by a holding company owned by Cosan and Tate & Lyle. Because of the creation of the holding company, Cosan and Tate & Lyle entered into a shareholders' agreement with respect to the holding company named COPSAPAR Participações S.A. in order to govern: (1) the election of the board of directors; (2) the exercise of voting rights in general shareholder meetings and meetings of the board of directors; and (3) the preemptive rights of shareholders.

On April 13, 2010, Tate & Lyle, through a Share Purchase Agreement, sold its entire stake on Copsapar Participações S.A. to Bunge Açúcar e Bioenergia Ltda, that had, on the same date, agreed to replace Tate & Lyle on the shareholder agreement with respect to Copsapar Participações S.A.

### ***Rumo***

On September 2, 2010, Novo Rumo, Cosan, Cosan Limited and investment vehicles controlled by TPG and Gávea entered into a shareholders' agreement that regulates the rights of the shareholders of Rumo Logística and on the same date the parties have entered into a subscription agreement in which Gávea and TPG agreed to subscribe common shares of Rumo Logística representing a 25% ownership for a price of R\$400 million, implying a post-money equity valuation of R\$1,600 million. In accordance to the shareholders agreement, Rumo Logística will have a board of directors of five members and Gávea and TPG will have the right to appoint two of the directors. Pursuant to the agreement, (1) Gávea and TPG will have the right to participate, through at least one representative, in all board committees and certain other relevant committees of Rumo Logística; (2) any decision regarding Rumo Logística or any of its subsidiaries will be determined by a simple majority vote; (3) Gávea and TPG will have rights of first refusal; (4) Gávea and TPG will have tag along rights.

### ***TEAS***

Cosan and Cargill Agrícola S.A. entered into a shareholders' agreement with respect to TEAS Terminal Exportador de Álcool de Santos S.A., or TEAS, dated as of February 15, 2005 and amended on November, 26, 2009, that provides for, among other things, the right of first refusal of the shareholder to acquire the shares of TEAS owned by the other shareholder, in the event such party decides to sell its shares to a third party.

Cosan's stake on TEAS, on April 2011, was contributed to Raízen, the Joint Venture established between Cosan and Shell.

### ***RADAR***

In August 2008, Cosan entered into a shareholders' agreement with TIAA CREF regarding its subsidiary Radar, whose corporate purpose is to identify and acquire rural properties with high appreciation potential for subsequent leasing and/or sale. Cosan currently holds approximately 37.7% of RADAR's capital, with the remaining 62.3% being divided among other investors part of TIAA CREF group. According to the shareholders' agreement, COSAN retains the majority of votes on RADAR's Board of Directors, thereby retaining control of the company. In addition, COSAN has a 10-year option to subscribe 20% of RADAR's capital stock for the same amount as the initial capitalization.

## **Table of Contents**

### ***CTC***

In January 2013, Cosan entered into an agreement to sell its ownership stake in CTC to Raízen Energia S.A. for the amount of R\$51.1 million, paid in a single installment upon the delivery of 73,102 common shares representing 11.523% of CTC's equity.

### ***Tellus***

On July 1, 2011 Cosan entered into a shareholders' agreement with TIAA CREF in order to govern certain of their rights, duties and obligations as shareholders of Tellus Brasil Participações S.A.

### ***Comma***

On July 3, 2012 Cosan entered into the European lubricants and specialties market by signing a sale and purchase agreement with Esso Petroleum Company to acquire Comma Oil & Chemicals Limited. The value of the transaction, after all adjustments, was less than US\$100 million. Comma continued to operate in the ordinary course under the Comma brand, manufacturing and selling Comma-branded and private label products following the change in control, in order to facilitate Cosan's entry into the European lubricants market.

### ***COMGÁS***

On November 5, 2012 Cosan concluded the acquisition of 60.05% of COMGÁS from BG Group for R\$3.4 billion. On December 31, 2015 Cosan held 61.33% of COMGÁS's shares. Shell is part of the ownership group, holding 17.59% of COMGÁS's shares, with 22.43% of COMGÁS held publicly.

### ***ALL***

On February 24, 2014, Cosan S.A., through its subsidiary Rumo Logística submitted to ALL a binding proposal for the incorporation of ALL by Rumo. The merger was completed on April 1, 2015. See Item 4. Information on the Company A. History and Development of the Company for further information.

## **Shareholders' Agreements and Other Arrangements**

### ***Agreements Between Shell and Cosan***

Shell and Cosan have entered into other definitive agreements, among others, concerning the scope of the Joint Venture, the governance and management of the Joint Venture and the granting of reciprocal put and call options concerning their interests in the Joint Venture. Each of these agreements was entered into on June 1, 2011.

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

The shareholders' agreements provide that the Joint Venture will be governed by supervisory boards that are composed of six members: three nominated by Cosan, with Mr. Rubens Ometto Silveira Mello acting as chairman, and three nominated by Shell. Most decisions by the supervisory boards require a quorum of two members and are generally

made by a majority present and voting. Certain significant matters, however, will require the consent of five of the six or four of the six members, as the case may be.

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

setting the general strategic guidelines and direction for the Joint Venture and amending and updating the Joint Venture's business plan;

appointing, removing or terminating members of the executive board;

**Table of Contents**

determining the compensation and benefits of certain employees;

amending key policies and procedures of the Joint Venture;

adopting or amending the annual and capital budgets;

instituting or settling any litigation or dispute in excess of a specified sum or which could damage the reputation of the Joint Venture, Cosan or Shell;

selling, assigning, transferring or encumbering assets of the Joint Venture outside of the ordinary course of business in excess of a specified amount;

entering into transactions (including mergers, stock purchases or asset purchases) of which the value or purchase price exceeds a specified amount;

making capital expenditures in excess of a specified amount, subject to certain exceptions;

submitting any matters, including financial statements and reports, to the meeting of the Joint Venture's shareholders;

entering into any contract, agreement or instrument outside of the ordinary course of business and that provides for payments in excess of a specified amount;

entering into material amendments, modifications or waivers or terminating any contract where payment obligations exceed a specified amount;

making any decision to borrow money or guarantee the payment or performance of any obligation in excess of a specified amount or to prepay indebtedness of a specified amount;

creating any encumbrance over or the issuance of any Joint Venture securities or any option relating to any Joint Venture securities, subject to certain exceptions;

approving the credit limits or the extension of credit to any customer of the Joint Venture in excess of a specified amount; and

entering into, amending, terminating or renewing any insurance policy.

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

Additionally, certain matters require the consent of the shareholders of the Joint Venture. These matters include, but are not limited to, removal of any member of a supervisory board; approval of supervisory board resolutions relating to dividend payments; approval of management accounts and financial statements; amendments to the by-laws of Raízen Energia or Raízen Combustíveis; and issuance of securities by the Joint Venture.

The shareholders' agreements provide that a shareholder may lose certain governance rights if it fails to make capital contributions that may be required pursuant to the shareholders' agreements or to make certain payments required pursuant to the Framework Agreement. If the delinquent party pays or contributes such amounts in full within a specified cure period, the respective governance rights of the shareholders are returned to their original state prior to any such delinquency.

The day-to-day management of the Joint Venture is conducted by the executive boards, composed of a chief executive officer and other senior executive officers. The shareholders' agreements set forth the various functions and responsibilities of the chief executive officer and senior management, as well as the actions that may be taken by the executives without the approval of the relevant supervisory board.

---

**Table of Contents**

***COMGÁS Companhia de Gás de São Paulo Shareholders Agreement***

Cosan S.A. and Integral Investments B.V., or Integral, have entered into a Comgás shareholders agreement dated December 19, 2012. The shareholders agreement establishes the scope and governance of Comgás, as well as its dividend policy. The scope of such agreement is to define the terms and conditions that will regulate the relationship between the parties as shareholders of Comgás, in particular with respect to (1) the voting rights related to the relevant shares (86,169,586 shares issued by Comgás owned by the Parties), including the voting rights of each party exercisable at shareholders meetings, meetings of the board of directors, meeting of the audit committee, and officers meetings of Comgás; and (2) general matters concerning Comgás corporate governance.

COMGÁS will be managed by a board of executive officers and a board of directors. Decisions related to

COMGÁS business administration will be approved by its board of executive officers, within the limits conferred by the board of directors and COMGÁS by-laws.

COMGÁS will have an audit committee which will be installed according to its by-laws and the Brazilian Corporate Law. Cosan's representative shall be nominated as chairman of the board of directors. The parties shall be entitled to nominate one member of the board of directors for each 10% interest of the relevant shares.

The parties shall be entitled to nominate one member of the audit committee for each 16% interest of the relevant shares. The executive officers shall be nominated for a two-year term, renewable for additional two-year terms, without limitations.

The Parties shall attend the preliminary meetings (the meeting of the controlling shareholders to resolve principal affairs related to COMGÁS business), in which they: (1) must vote together in block; (2) may discuss and decide about the nomination of members of the board of directors, executive officers, audit committee, as well as give instructions about the election of executive officers by the board of directors; and (3) may decide and support the way the representatives must exercise the voting right.

Each party has the right to nominate up to two members of the preliminary meeting. The chairman of the preliminary meeting shall be a member nominated by Cosan.

***Cosan Limited Shareholders Agreement***

Aguassanta and Costa Pinto, our indirect controlling shareholders, entered into a shareholders agreement dated June 15, 2007, pursuant to which they undertake to vote jointly with respect to any matter related to us and our subsidiaries. Aguassanta and Costa Pinto have agreed to meet before any shareholders or board of directors meeting to reach an agreement as to their votes regarding such matters. The vote of the indirect shareholder that owns a greater equity stake in our Company shall prevail.

***Radar Propriedades Agrícolas S.A. Shareholders Agreement***

Mansilla Participações Ltda, Teachers Insurance and Annuity Association of America, Cosan S.A. Indústria e Comércio and Radar II Propriedades Agrícolas entered into this shareholders agreement on August 27, 2008. This shareholders agreement consolidates Radar's shareholders resolutions about share control, transfer of shares, preemption rights, tag along and the right to appoint the members of the board of directors. Subject to certain exceptions, the corporate resolutions shall be taken by shareholders representing the majority of the voting shares.



***Cosan S.A. Indústria e Comércio Shareholders Agreement***

Shareholders Agreement of Cosan S.A. Indústria e Comércio, executed by and among Cosan Limited and Rezende Barbosa S.A. Administração e Participações, on September 06, 2009, partially succeed by Messers. Roberto de Rezende Barbosa, Renato Eugênio de Rezende Barbosa, and José Eugenio de Rezende Barbosa Sobrinho, on December 31, 2011. This shareholders agreement consolidates the resolutions of Cosan's shareholders about the appointment of the members of the Board of Directors and the transfer of shares. The shareholders also agreed to exercise their voting rights in the general meetings of the company without the possibility of veto rights.

**Table of Contents**

***Rumo Logística Operadora Multimodal S.A. Shareholders Agreement***

Novo Rumo Logística S.A. (which has since been merged into Rumo), Cosan Logística S.A., Cosan S.A. Indústria e Comércio, Cosan Limited, GIF Rumo Fundo de Investimentos em Participações and TPG VI Fundo de Investimento em Participações entered into this shareholders agreement on June 30, 2011, and amended it on September 5, 2014. The shareholders agreement consolidates the resolutions of Rumo's shareholders about share control and the appointment of the members of the board of directors. The shareholders also undertake to vote in the general meetings of the company as a controlling group.

Cosan S.A. Indústria e Comércio, Cosan Limited and BNDES Participações – BNDESPAR entered into a separate shareholders agreement on April 30, 2014. This shareholders agreement consolidates the shareholder's resolutions about transfer of shares, preemption rights, tag along and appointment of members of the board of directors. In the terms of this agreement, the entirety of Rumo's shares has the same voting rights.

***Tellus Brasil Participações S.A. Shareholders Agreement***

Shareholders Agreement of Tellus Brasil Participações S.A., executed by and among TIAA-CREF Global Agriculture LLC, Nova Gaia Brasil Participações Ltda., Terraviva Brasil Participações S.A., Radar Propriedades Agrícolas S.A., and Cosan S.A. Indústria e Comércio on July 1, 2011. This Shareholders Agreement consolidates Tellus's shareholders resolutions about share control, transfer of shares, preemption rights, tag along and right to appoint the members of the Board of Directors. Except by the relevant decisions, the corporate resolutions shall be taken by shareholders representing the majority of the voting shares.

***Radar II Propriedades Agrícolas S.A. Shareholders Agreement***

Shareholders Agreement of Radar II Propriedades Agrícolas S.A., executed by and among Mansilla Participações Ltda, Teachers Insurance and Annuity Association of America, a New York Corporation and Cosan S.A. Indústria e Comércio on September 28, 2012. This Shareholders Agreement consolidates Radar II's shareholders resolutions about share control, transfer of shares, preemption rights, tag along and the right to appoint the members of the Board of Directors. Except by the relevant decisions, the corporate resolutions shall be taken by the shareholders representing the majority of the voting shares.

***Janus Brasil Participações S.A. Shareholders Agreement***

Shareholders Agreement of Janus Brasil Participações S.A., executed by and among TIAA-CREF Global Agriculture LLC, Helios Brasil Participações Ltda., Iris Brasil Participações S.A., Radar Propriedades Agrícolas S.A. and Cosan S.A. Indústria e Comércio on September 23, 2014. This Shareholders Agreement consolidates Janus's shareholders resolutions about share control, transfer of shares, preemption rights, tag along and the right to appoint the members of the Board of Directors. Except by the relevant decisions, the corporate resolutions shall be taken by shareholders representing the majority of the voting shares.

**B. Related Party Transactions**

We engage in related party transactions with certain of our affiliates, some of which are of a recurring nature. Financial information with respect to certain material related party transactions is set forth in note 13 to our consolidated financial statements attached hereto.

Our board of directors delegates to the audit committee the responsibility for reviewing and approving all related party transactions (within the meaning of Item 404 of Regulation S-K of the SEC). The audit committee is responsible for obtaining information from our directors, executive officers and major shareholders with respect to related party transactions and for then determining, based on the facts and circumstances, whether our company or a related party has a direct or indirect material interest in the transaction. As required under SEC rules, transactions that are determined to be directly or indirectly material to our company or a related party has been disclosed herein.

In October 2008, a private placement of the Company's class A shares was made in the amount of R\$96 million (US\$50 million) by the controlling shareholder, Mr. Rubens Ometto Silveira Mello, and R\$288.1 (US\$150 million) by the funds managed by Gávea Investimentos Ltda., at R\$8.6 (US\$4.50) per class A share or BDR subscribed. The offering was extended to all class A share or BDR holders, as permitted by applicable law. The offering was concluded on October 27, 2008. As a result and following the date of the acquisition, Mr. Rubens Ometto Silveira Mello holds 38.3% of the Company's total capital and 85.3% of its voting capital.

---

**Table of Contents**

In the normal course of business, we have operational and financing transactions with related parties. The significant related party balances and transactions are described in note 13 to our financial statements included elsewhere in this annual report.

**Guarantees with Related Parties**

As a result of Cosan's participation in the PESA federal government financing program between 1998 and 2000, Amaralina mortgaged land to secure the restructuring of Cosan's debt, and Agrícola Ponte Alta and Pedro Ometto S.A. mortgaged land to secure the restructuring of the debt of Da Barra.

**C. Interests of Experts and Counsel**

Not applicable.

**Item 8. Financial Information**

**A. Consolidated Statements and Other Financial Information**

See Item 18. Financial Statements.

**Legal Proceedings**

We are party to numerous legal proceedings as further described below.

***Probable Losses***

In the ordinary course of our business, we are party to a number of legal proceedings for which we deem the risk of loss as probable for which we have recorded provisions in an aggregate amount of R\$1,193.9 million as of December 31, 2015. Provisions relating to probable losses are categorized into tax, civil and labor, described below.

*Tax.* We recorded provisions of R\$441.7 million for tax proceedings as of December 31, 2015. The principal tax proceedings are described below.

During the period from October 2003 to November 2006, the Company, through its subsidiary CLE, offset the FINSOCIAL tax against several other federal taxes, based on a final court decision in September 2003 following a decision that challenged the constitutionality of the FINSOCIAL. No judicial deposits have been made in connection with these proceedings. The provision for these proceedings was R\$255.0 million as of December 31, 2015.

A considerable portion of the amount accrued as ICMS was paid in cash under the provisions of Decree N° 58,811 issued on December 27, 2012, which established the State of São Paulo Special Installment Program of ICMS (PEP-ICMS). The amounts that have been provisioned refer to tax assessments by the tax authorities related to several types of ICMS credits. Amongst them: (a) assessment notice related to ICMS payments for the purchase of raw materials which are considered for use and consumption, therefore, not eligible for compensation; (b) assessment, as sole obligor, for disregarding withholding obligations of ICMS taxes in relation to a tolling agreement, arising from an agricultural partnership signed between the Company's sugarcane plants and Central Paulista Ltda. Açúcar e Álcool.

No judicial deposits have been made in connection with these proceedings. The provision for ICMS credits was R\$79.4 million as of December 31, 2015.

*Civil, regulatory, environmental and other claims.* Cosan and its subsidiaries are parties to a number of civil legal claims related to (1) indemnity for material and moral damages; (2) public civil claims related to sugarcane stubble burning; (3) environmental matters; and (4) other matters. Provisions for civil, regulatory and environmental claims as of December 31, 2015 amounted to R\$284.3 million.

---

**Table of Contents**

*Labor claims.* Cosan, its subsidiaries and jointly-controlled entities are also parties to a number of labor claims filed by former employees and service providers challenging, among other factors, the payment of overtime, night shift premium and risk premium, recognition of employment relationships, reimbursement of discounts from payroll, such as social contribution and trade union charges. Additionally, we are involved in several labor administrative and judicial proceedings such as labor investigations and class actions filed by the labor prosecutor's office regarding alleged non-compliance with certain labor regulations, including work and safety rules, labor conditions and work environment, and social assistance plans. Moreover, we entered into certain consent orders (*Termos de Ajustamento de Conduta*) with Brazilian authorities and in the event we fail to comply with such consent orders, we could be subject to fines. Provisions for labor claims as of December 31, 2015 amounted to R\$467.9 million.

***Possible Losses***

In addition, there are currently certain legal proceedings pending in which we are involved for which we have not recorded provisions, as we deem the likelihood of loss as possible. If any of these legal proceedings is decided adversely against us, our results of operations or financial condition could be materially and adversely affected. The aggregate amount involved in proceedings relating to possible losses as of December 31, 2015 amounted to R\$12,537.8 million of which R\$8,556.5 million, R\$3,020.9 million and R\$960.4 million were related to tax, civil and labor claims respectively.

***Other Proceedings***

In accordance with court orders concerning certain tax, civil and labor lawsuits, we had bank judicial deposits in an aggregate amount of R\$680.2 million as of December 31, 2015.

In 2009, the Brazilian Government created a tax amnesty and refinancing program, permitting taxpayers to settle their federal tax debts under previous refinancing programs, and other federal taxes subject to court disputes, with discounts on penalties and interest, and pay the balance in installments ( REFIS ). In 2014, the Company opted to pay a significant portion of the debts owed by it under Law 11,941 of 2009, through a payment of R\$120.2 million, for which the Company obtained an amnesty in the payment of interest-based penalties in an amount of R\$36.4 million which was recognized as gain on settlement of REFIS.

**Dividends and Dividend Policy*****Dividend Rights***

Cosan Limited is a holding company and can only pay dividends to the extent, if any, that funds are received from our subsidiaries. Our dividend policy is similar to the current dividend policy of our principal subsidiaries, Cosan S.A. and Cosan Logística. Brazilian corporate law requires that the by-laws of a Brazilian company specify a minimum percentage of the available income for the annual distribution of dividends, known as the mandatory dividend, which must be paid to shareholders as either dividends or interest attributable to shareholders' equity. We intend to pay cash dividends representing on an annual basis 25% of our annual consolidated net income, to holders of class A common shares and class B common shares in proportion to the number of shares held by them unless our board of directors has determined, in its discretion, that such distribution would not be advisable or appropriate in light of our financial condition or we are unable to meet applicable statutory solvency requirements under Bermuda law.

Our board of directors may, in its discretion, amend or repeal our dividend policy. You may not receive the level of dividends provided for in the dividend policy or any dividends at all due to a number of factors, such as:

we are a holding company, and therefore, our ability to pay dividends will depend on our ability to receive distributions from our subsidiaries;

our subsidiaries may become subject to covenants restricting their ability to distribute dividends under credit facilities, term loans or other indebtedness;

---

**Table of Contents**

any imposition of restrictions on conversions and remittances by the Brazilian government could hinder or prevent us from converting into U.S. dollars or other foreign currencies and remitting abroad dividends of our Brazilian subsidiaries;

our shareholders have no contractual or other legal rights to dividends pursuant to Bermuda law; and

we may not have sufficient cash to pay dividends due to changes in our operating earnings, working capital requirements and anticipated cash needs.

Under Bermuda law, a company's board of directors may declare and pay dividends from time to time unless there are reasonable grounds for believing that the company is or would, after the payment, be unable to pay its liabilities as they become due or that the realizable value of its assets would thereby be less than the aggregate of its liabilities and issued share capital and share premium accounts. Under our by-laws, each class A common share and class B common share is entitled to dividends if, as and when dividends are declared by our board of directors, subject to any preferred dividend right of holders of any preference shares. There are no restrictions on our ability to transfer funds (other than funds denominated in Bermuda dollars) in or out of Bermuda or to pay dividends to U.S. residents who are holders of our common shares.

We expect to have sufficient available cash to pay dividends in accordance with our dividend policy. We do not, however, plan to pay dividends in the event that we do not generate sufficient cash from operations. In addition, we will not pay dividends if we believe that such payment will limit or preclude our or our subsidiaries' ability to pursue growth opportunities. Although our by-laws and Cosan's by-laws do not restrict us from borrowing funds to pay dividends, we do not intend to borrow funds to pay dividends.

The dividend rights attaching to our class A common shares and class B common shares are not cumulative in the event that we do not, for any reason, pay dividends on those shares.

Any cash dividends payable to holders of our common shares quoted on the NYSE will be paid to Mellon Investors Services LLC, our transfer agent in the United States, for disbursement to those holders.

***Cosan S.A. Dividend Policy***

Brazilian corporate law and Cosan's by-laws require that Cosan distributes annually to its shareholders a mandatory minimum dividend, unless Cosan's board of directors notifies the shareholders that such distribution is not advisable in light of Cosan's financial condition as reflected in Cosan's consolidated financial statements. The basis of the mandatory dividend is a percentage of the net income, as adjusted pursuant to the Brazilian Corporate Law. Under our by-laws, a minimum of 25.0% of our adjusted net income should be intended for distribution and payment to our shareholders as mandatory dividend. However, the payment of mandatory dividends to our shareholders may be limited to the amount of realized net income in a given year, provided the difference is recorded as an unrealized income reserve.

We are required by the Brazilian Corporate Law and our by-laws to hold an annual shareholders' meeting no later than four months after the end of each fiscal year, at which time the allocation of the results of operations in any year and the distribution of an annual dividend are reviewed. The distribution of annual dividends is based on our audited financial statements prepared for the immediately preceding fiscal year.

***Calculation of Adjusted Net Income***



At each annual shareholders meeting, our board of directors is required to recommend how to allocate our net income for the preceding fiscal year, which recommendation our board of executive officers initially submits to our board of directors for approval.

This allocation is subject to approval by our common shareholders. The Brazilian Corporation Law defines net income for any fiscal year as our net income after income taxes for that fiscal year, net of any accumulated losses from prior fiscal years and any amounts allocated to employees participation in our net income in that fiscal year. Under the Brazilian Corporation Law, our adjusted net profit available for distribution are equal to our net profit in any fiscal year, reduced by amounts allocated to our legal reserve and other applicable reserves, and increased by any reversals of reserves that we constituted in prior years.

## **Table of Contents**

### *Reserve Accounts*

Under the Brazilian Corporation Law and our by-laws, we are required to maintain a legal reserve. In addition, we are permitted by the Brazilian Corporation Law to establish the following discretionary reserves:

a contingency reserve for an anticipated loss that is deemed probable in future years. Any amount allocated in a previous year must be reversed in the fiscal year in which the loss had been anticipated if the loss does not occur as projected or charged off in the event that the anticipated loss occurs;

a reserve for investment projects, in an amount based on a capital expenditure budget approved by our shareholders;

an unrealized income reserve; and

a tax incentive investment reserve, included in our capital reserve accounts, in the amount of the reduction in our income tax obligations due to government tax incentive programs.

Allocations to each of these reserves (other than the legal reserve) are subject to approval by our common shareholders voting at our annual shareholders' meeting.

The Brazilian Corporation Law provides that the legal reserve and the tax incentive investment reserve may be credited to shareholders' equity or used to absorb losses, but these reserves are unavailable for the payment of distributions in subsequent years.

The amounts allocated to the other reserves may be credited to shareholders' equity and used for the payment of distributions in subsequent years.

### ***Cosan Logística's Dividend Policy***

Cosan Logística's dividend policy is the same as of Cosan S.A.

### ***Joint Venture's Dividend Policy***

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

*first*, up to 5% of net profit to the respective company's legal reserve, which may not exceed a specified amount, the lower of 20% of the respective company's capital stock or 30% of the capital plus any capital

surplus;

*second*, a variable amount of net profit to each shareholder based on certain tax attributes contributed by it to the Joint Venture; Cosan is entitled to receive preferential dividends equivalent to the amount of any tax savings from the amortization of goodwill it contributes to the Joint Venture. Similarly, Shell is entitled to receive preferential dividends equivalent to the amount of any tax savings from the amortization of accumulated losses that it contributes to the Joint Venture;

*third*, a nominal amount of net profit to the holders of certain preferred shares;

*fourth*, 1% of net profit to the shareholders;

*fifth*, a variable amount, capped at a specified percentage of net profit, to the respective company's statutory reserve for operations and projects, such amount not to exceed 80% of net profits or 80% of the respective company's share capital; and

*sixth*, the distribution of the remaining amount of net profit to be determined by the shareholders.

---

**Table of Contents*****Brazilian Taxation***

Dividends paid by Cosan to us are currently not subject to withholding income tax in Brazil, to the extent that such amounts are related to profits generated since January 1, 1996. The only exception would be for amounts related to 2014 tax statements. In this case, considering new tax legislation enacted in May 2014, if the amounts calculated using the accounting criteria in force in December 2007 (*i.e.* without IRFS effects) exceed a certain exemption limit, they would be taxed at a rate of 25%. Cosan did not surpass the exemption limit.

Brazilian tax laws permit Cosan to make distributions to shareholders of interest on shareholders' equity and treat those payments as a deductible expense for purposes of calculating Brazilian income tax and social contributions. For tax purposes, this interest is limited to the daily pro rata portion of the TJLP, as determined by the Brazilian Central Bank quarterly, and the amount of the deduction is limited to the largest of (1) 50% of net income (after social contributions but before income tax and the amount to be distributed as interest on shareholders' equity) related to the period in respect of which the payment is made; and (2) 50% of the sum of retained profits and profit reserves as of the date of the beginning of the period in respect of which the payment is made. A payment to us of interest on shareholders' equity is subject to withholding income tax at the rate of 25%.

***Dividend Payments***

On August 12, 2011, the board of directors approved the distribution of the entire dividend received by Cosan Limited from Cosan S.A. on August 31, 2011. The dividends were paid to shareholders for the fiscal year 2011 ended March 31, 2011 totaling US\$76,097,326.26 corresponding to US\$0.281126238 per common share or the equivalent to R\$0.46104709032 to holders of BDRs, without withholding income tax.

On August 27, 2012, the board of directors approved the distribution of the entire dividend received by Cosan Limited from Cosan S.A. on August 31, 2012. The dividends were paid to shareholders for the fiscal year ended March 31, 2012 totaling US\$77,385,210.58 corresponding to US\$0.285884067 per common share or the equivalent in *reais* to holders of BDRs, without withholding income tax.

On August 13, 2013, the board of directors approved the distribution of the entire dividend received by Cosan Limited from Cosan S.A. on August 13, 2013. The dividends were paid to shareholders for the fiscal year ended March 31, 2013 totaling US\$82,405,674.26 corresponding to US\$ 0.304431158 per common share or the equivalent in *reais* to holders of BDRs, without withholding income tax.

On May 20, 2014, the board of directors approved the distribution of the intermediary dividend received by Cosan Limited from Cosan S.A. on May 20, 2014. The dividends were paid to shareholders for the fiscal year ended December 31, 2013 totaling US\$42,037,712.92 corresponding to US\$ 0.155299860 per common share or the equivalent in *reais* to holders of BDRs, without withholding income tax.

On October 30, 2014, the board of directors approved the distribution of the intermediary dividend received by Cosan Limited from Cosan S.A. on October 30, 2014. The dividends were paid to shareholders for the fiscal year ended December 31, 2014 totaling US\$38,345,901.31 corresponding to US\$ 0.144870503 per common share or the equivalent in *reais* to holders of BDRs, without withholding income tax.

On May 26, 2015, the board of directors approved the distribution of the dividends received by Cosan Limited from Cosan S.A. and Cosan Logística S.A. on May 26, 2015. The dividends were paid to shareholders for the fiscal year ended December 31, 2014 totaling US\$29,648,408.93 corresponding to US\$ 0.11201145 per common share or the equivalent in *reais* to holders of BDRs, without withholding income tax.

**B. Significant Changes**

None.

**Table of Contents****Item 9. The Offer and Listing****A. Offer and Listing Details**

Prior to August 16, 2007, no public market existed for our class A common shares. Since August 16, 2007, our class A common shares have been listed on the NYSE and trade under the symbol CZZ. The BDRs representing our class A common shares are listed on the BM&FBOVESPA and trade under the symbol CZLT33.

The following information concerning the trading history of our class A common shares and BDRs representing our class A common shares is presented solely for informational purposes. This information should not be viewed as indicative of future sales prices for either our class A common shares on the NYSE or BDRs representing our class A common shares on the BM&FBOVESPA. Actual future sales prices for our class A common shares and the BDRs are likely to be significantly different from their trading history.

The following table sets forth the high and low closing sales prices for our class A common shares on the NYSE and the BDRs representing our class A common shares on the BM&FBOVESPA for the periods indicated.

<b>COSAN LIMITED CLASS A COMMON SHARES; TICKER: CZZ</b>	<b>NYSE</b>	
	<b>(US\$ per common share)</b>	
	<b>High</b>	<b>Low</b>
Fiscal Year Ended March 31, 2011	14.57	7.95
Fiscal Year Ended March 31, 2012	15.11	9.08
Fiscal Year Ended March 31, 2013	21.31	11.29
Nine Months Ended December 31, 2013	20.95	13.20
Fiscal Year Ended December 31, 2014	14.65	6.17
Fiscal Year Ended December 31, 2015	8.06	2.75
<b>Fiscal Quarter</b>		
First Fiscal Quarter 2013	15.23	11.29
Second Fiscal Quarter 2013	15.86	12.27
Third Fiscal Quarter 2013	17.31	15.42
Fourth Fiscal Quarter 2013	21.31	17.53
Three-month period ended June 30, 2013	20.95	15.34
Three-month period ended September 30, 2013	16.76	13.20
Three-month period ended December 31, 2013	16.13	13.46
First Fiscal Quarter 2014	13.72	10.45
Second Fiscal Quarter 2014	14.27	11.53
Third Fiscal Quarter 2014	14.66	10.76
Fourth Fiscal Quarter 2014	11.70	6.18
First Fiscal Quarter 2015	8.06	6.22
Second Fiscal Quarter 2015	7.70	6.01
Third Fiscal Quarter 2015	6.12	2.75
Fourth Fiscal Quarter 2015	4.07	2.90
<b>Month</b>		
October 2015	2.90	3.80

Edgar Filing: Cosan Ltd. - Form 20-F

November 2015	3.57	3.98
December 2015	3.33	4.07
January 2016	3.69	2.60
February 2016	3.56	2.66
March 2016	4.92	3.62
April 2016 (through April 26, 2016)	5.37	4.55

*Source:* Bloomberg

**Table of Contents**

COSAN LIMITED BDRs REPRESENTING CLASS A COMMON SHARES; TICKER: CZLT33	BM&FBOVESPA (reais per BDR)	
	High	Low
Fiscal Year Ended March 31, 2011	24.15	14.89
Fiscal Year Ended March 31, 2012	27.90	15.70
Fiscal Year Ended March 31, 2013	42.40	22.99
Nine-month Period Ended December 31, 2013	43.00	31.22
Fiscal Year Ended December 31, 2014	33.00	17.08
Fiscal Year Ended December 31, 2015	23.44	11.30
<b>Fiscal Quarter</b>		
First Fiscal Quarter 2013	27.45	22.99
Second Fiscal Quarter 2013	32.50	24.80
Third Fiscal Quarter 2013	36.00	31.70
Fourth Fiscal Quarter 2013	42.40	35.89
Three-month period Ended June 30, 2013	43.00	34.69
Three-month period Ended September 2013	37.50	31.22
Three-month period Ended December 31, 2013	36.00	32.00
First Fiscal Quarter 2014	33.00	24.31
Second Fiscal Quarter 2014	28.20	17.08
Third Fiscal Quarter 2014	32.77	26.45
Fourth Fiscal Quarter 2014	28.20	17.08
First Fiscal Quarter 2015	22.33	17.45
Second Fiscal Quarter 2015	23.44	18.50
Third Fiscal Quarter 2015	18.77	11.30
Fourth Fiscal Quarter 2015	15.60	11.70
<b>Month</b>		
October 2015	14.40	11.70
November 2015	14.76	13.49
December 2015	15.60	13.30
January 2016	10.80	14.29
February 2016	9.90	14.25
March 2016	17.84	14.39
April 2016 (through April 26, 2016)	19.10	16.74

Source: Bloomberg

On April 26, 2016, the reported closing sale price of our class A common shares on the New York Exchange and the BDRs representing our class A common shares on the BM&FBOVESPA were US\$5.36 and R\$18.75 per class A common share and BDR representing our class A common shares, respectively.

**B. Plan of Distribution**

Not applicable.



**C. Markets**

Our class A common shares are listed on the NYSE and trade under the symbol CZZ. The BDRs representing our class A common shares are listed on the BM&FBOVESPA and trade under the symbol CZLT33.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**Table of Contents**

**Item 10. Additional Information**

**A. Share Capital**

Not applicable.

**B. Memorandum and By-laws**

**General**

We are a limited liability exempted company incorporated under the laws of Bermuda on April 30, 2007. We are registered with the Registrar of Companies in Bermuda under registration number EC 39981. Our registered office is located at Canon s Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The objects of our business are set forth in our memorandum of association and provide that we have unrestricted objects and powers and rights including to:

import, export, produce and sell ethanol, sugar, sugarcane and other sugar by-products;

distribute and sell fuel and other fuel by-products;

produce and market electricity, steam and other co-generation by-products;

render technical services related to the activities mentioned above; and

hold equity interests in other companies.

There have been no bankruptcy, receivership or similar proceedings with respect to us or our subsidiaries.

**Issued Share Capital**

Under our by-laws, the holders of our class A common shares and class B common shares will be offered the preemptive right to purchase, in the first instance, on a pro rata basis according to their ownership interests, additional shares in the event of any increase in share capital. However, this preemptive right may be waived by (1) a majority of our board of directors in the case of an offering (whether or not registered under the Securities Act) or (2) a majority of the independent directors on our board of directors in any circumstance.

Pursuant to and in accordance with the Notice to the Public dated June 1, 2005 issued by the Bermuda Monetary Authority, there is no limitation on the right of non-residents of Bermuda to hold our shares as long as we remain listed on the NYSE.

**Common Shares**

Holders of class A common shares are entitled to one vote per share on all matters submitted to a vote of shareholders in general meeting. Holders of class B series 1 common shares or class B series 2 common shares are entitled to ten votes per share on all matters submitted to a vote of shareholders in general meeting, except as otherwise provided by our by-laws.

Except for the conversion provisions relating to our class B common shares, holders of our class A common shares and class B common shares have no redemption, conversion or sinking fund rights. Unless a different majority is required by law or by our by-laws, resolutions to be approved by holders of common shares require approval by a simple majority of votes cast at a meeting at which a quorum is present.

In the event of our liquidation, dissolution or winding-up, the holders of class A common shares and class B common shares are entitled to share equally and ratably in our assets, if any, remaining after the payment of all of our debts and liabilities, subject to any liquidation preference on any outstanding preference shares.

## **Table of Contents**

### **Preference Shares**

Under our by-laws, we may, subject to the affirmative vote of a majority of our board of directors and, in certain circumstances as provided for in our by-laws, a majority of our class A common shares and class B common shares, each voting as a separate class, establish one or more series of preference shares having such number of shares, designations, dividend rates, relative voting rights, conversion or exchange rights, redemption rights, liquidation rights and other relative participation, optional or other special rights, qualifications, limitations or restrictions as may be fixed. Such rights, preferences, powers and limitations as may be established could also have the effect of discouraging an attempt to obtain control of us. There are no outstanding preference shares, and we have no present plans to issue any preference shares.

### **Dividend Rights**

For information concerning dividend rights of our class A common shares, class B series 1 common shares and class B series 2 common shares, see Item 8. Financial Information A. Consolidated Statements and Other Financial Information Dividends and Dividend Policy.

### **Tag-along Rights**

Following the consummation of our initial public offering, no person or group of persons (other than a holder of class B series 1 common shares) may, in a transaction or series of transactions, acquire, directly or indirectly, the beneficial ownership of class A common shares representing more than 15% of our issued and outstanding common shares from any person or otherwise acquire control over our company, unless the terms and conditions of such transaction or transactions include an offer by the acquiring person or group of persons to the holders of all other class A common shares or class B common shares to acquire at the option of each applicable shareholder, all or any part of the respective shares owned by such shareholder. The price per share paid by the acquiring person or group of persons will be equivalent to the greater of (1) the highest price per share paid by the acquiring person or group of persons to acquire any such class A shares representing 15% of our issued and outstanding common shares or control, as applicable and (2) a price determined based on an appraisal report. The tag-along tender offer must be launched promptly after closing of the sale that triggers application of the tag-along provision and be completed within 60 days after the consummation of the transaction or series of transactions. In the event that the tag-along tender offer is not completed within the 60-day period, the holder or holders of the shares acquired in the sale that triggered the preemption rights will not be entitled to vote such shares, and we will be entitled to compel such holder or holders to sell these shares to unaffiliated persons deemed acceptable by a majority of our board of directors at the lower of (A) the lowest acquisition price for the class A common shares and (B) the then prevailing market price on the NYSE or such other stock exchange which constitutes the principal market for the class A common shares on a date selected by our board of directors that is not more than ten trading days on the applicable exchange following the expiration of the 60-day period.

### **Conversion**

Our class A common shares are not convertible into any other shares of our authorized share capital.

Each class B common share is convertible at any time after three years following our initial public offering (August 16, 2007), at the option of the holder, into one class A common share. In addition, each class B common share will, subject to limited exceptions applicable to class B series 1 common shares referred to below, automatically convert into one class A common share upon any transfer of its current beneficial ownership, whether or not for value.

Following the death of Mr. Rubens Ometto Silveira Mello or a determination by 66-2/3% of our board of directors based on the medical determination of two internationally recognized certified physicians that he is permanently mentally incapacitated, the beneficial ownership of class B series 1 common shares may be transferred from him to his immediate family members without resulting in the automatic conversion of those shares into class A common shares. So long as class B common shares are issued and outstanding, in the case of death or permanent incapacitation of Mr. Rubens Ometto Silveira Mello, the following actions or events will be subject to approval by a majority of the then independent members of our board of directors, in addition to any other approval of shareholders or members of our board required by Bermuda law or our by-laws:

**Table of Contents**

appointment of the chief executive officer of our company or any of its subsidiaries (including successors thereof);

changes to the core business strategy of our company or any of its subsidiaries;

change name or corporate purpose of our company or any of its subsidiaries;

amendments to any rights of the class B series 1 common shares;

any recapitalization, stock split, combination, reclassification or similar action affecting equity interests in our company or any of its subsidiaries;

redemption, capital reduction or other acquisition for value of any shares of equity interests in our company or any of its subsidiaries;

any transaction or series of transactions resulting in a spin-off, delisting, merger, amalgamation, reorganization or combination of or by our company or any of its subsidiaries with, or any acquisition of, another person involving an amount in excess of US\$250 million;

any sale, lease, assignment, transfer or other disposition of assets valued in the aggregate, in excess of US\$250 million;

any voluntary liquidation, reorganization, dissolution or winding-up of, or a voluntary filing for bankruptcy protection by our company or any of its subsidiaries;

the approval of the limit of the compensation of members of the board of directors or executive officers of our company or any of its subsidiaries;

the making of any investment in excess of US\$250 million other than investments in the ordinary course of business;

entering into any Joint Venture, partnership or any similar arrangement other than in the ordinary course of business;

any related-party transactions;

the incurrence of any liens on properties valued, in the aggregate, in excess of US\$250 million;

amendment of the provisions of any of the foregoing actions or events; and

agreeing to, or otherwise committing to take, any of the foregoing actions.

Mr. Rubens Ometto Silveira Mello may also transfer his class B series 1 common shares to a trust, corporation, partnership or limited liability company in which he and, following his death or permanent incapacitation, a member or members of his immediate family, directly or indirectly, retain sole dispositive power and exclusive voting control with respect to such entity and the class B series 1 common shares held by such entity. In addition, any such trust, corporation, partnership, or limited liability company that directly holds class B series 1 common shares may distribute those shares to its respective partners, members or owners (which may further distribute the class B series 1 common shares to their respective partners, members or owners) without triggering a conversion to class A common shares, provided that Mr. Rubens Ometto Silveira Mello and, following his death or permanent incapacitation, his immediate family members continue to hold sole dispositive power and exclusive voting control over the class B series 1 common shares.

Class B common shares also will automatically convert into class A common shares when the aggregate outstanding class B series 1 common shares represent less than 45% of our total voting power in respect of the issued and outstanding share capital in the company. In addition, class B series 2 common shares will automatically convert into class A common shares if all the class B series 1 common shares convert into class A common shares.

## **Table of Contents**

Once transferred and converted into class A common shares, class B common shares will not be reissued. No class of common shares may be subdivided or combined unless the other class of common shares concurrently is subdivided or combined in the same proportion and in the same manner.

## **Transfer of Shares**

Our board of directors may, in its discretion and without assigning any reason, refuse to register the transfer of a share that it is not fully paid. Our board of directors may also refuse to register the transfer of a share unless the instrument of transfer for such share is duly stamped (if required by law), is in respect of one class of shares, is in favor of less than five persons jointly and is accompanied by the relevant share certificate (if one has been issued) and such other evidence of the transferor's right to make the transfer as our board of directors shall reasonably require. Any transfer of beneficial ownership of class B series 1 common shares or class B series 2 common shares not registered with the company will be null and void. For a period of three years following our initial public offering (August 16, 2007), holders of our class B series 2 common shares may not transfer less than all of the class B series 2 common shares that they own. Subject to these restrictions as are more fully set out in our by-laws a holder of shares in the company may transfer the title to all or any of such holder's shares in the company by completing a form of transfer in such form as our board of directors may reasonably approve. The instrument of transfer must be signed by the transferor and transferee, although in the case of a fully paid share, our board of directors may accept the instrument signed only by the transferor. The board may also accept mechanically executed transfers.

## **Meetings of Shareholders**

Under Bermuda law, a company is required to convene at least one general meeting of shareholders in each calendar year. Bermuda law provides that a special general meeting of shareholders may be called by the board of directors of a company and must be called upon the requisition of shareholders holding not less than 10% of the paid-up capital of the company as of the date of deposit carries the right to vote. Bermuda law also requires that shareholders be given at least five days' advance notice of a general meeting, but the accidental omission to give notice to, or the non-receipt of a notice by, any person entitled to receive notice does not invalidate the proceedings at the meeting. Our by-laws provide that the chairman of the Board may call an annual general meeting or a special general meeting. Special general meetings of the shareholders may also be convened by our board of directors.

Under our by-laws, at least 10 clear days-notice of an annual general meeting or a special general meeting must be given to each shareholder entitled to receive notice of such meeting. This notice requirement is subject to the ability to hold such meetings on shorter notice if notice is served pursuant to Bermuda law in the manner provided by the Companies Act 1981. The quorum required for a general meeting of shareholders is two or more persons present in person or by proxy and entitled to vote representing the holders of more than 45% of the aggregate voting power of the shares in the Company which by their terms carry the right to vote.

Any action required to be taken at a meeting of shareholders except in the case of the removal of auditors or directors may be taken without a meeting and without vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of issued and outstanding shares of the company, their proxy or corporate representative representing the percentage of votes required if the resolution had been voted on at a meeting of the shareholders. Notice of any resolution in writing shall be given to all shareholders entitled to attend a vote at a shareholder meeting.

## **Access to Books and Records and Dissemination of Information**

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda. These documents include the company's memorandum of association and any



alteration to its memorandum of association. The shareholders have the additional right to inspect the by-laws of the company, minutes of general meetings and the company's audited consolidated financial statements, which audited financial statements must be presented at the annual general meeting unless waived in accordance with the provisions of the Companies Act 1981. The register of shareholders of a company is also open to inspection by shareholders and by members of the general public without charge. The register of shareholders is required to be open for inspection for not less than two hours in any business day (subject to the ability of a company to close the register of shareholders for not more than thirty days in a year). A company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act 1981, establish a branch register outside Bermuda. A company is required to keep at its registered office a register of directors and officers that is open for inspection for not less than two hours in any business day by members of the general public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

---

**Table of Contents**

**Election and Removal of Directors**

Our by-laws provide that our board of directors must consist of between five and eleven directors or such greater number as the board may determine. Our board of directors currently consists of eleven directors. Our by-laws provide that at least 40% (and, following the death or permanent incapacitation of Mr. Rubens Ometto Silveira Mello, at least 60%) of the members of our board of directors must be independent (as defined by the rules promulgated by (1) the U.S. Securities and Exchange Commission under the Exchange Act and (2) by the NYSE or any other principal securities exchange on which the class A common shares are so listed).

Our board of directors is divided into three classes that are, as nearly as possible, of equal size. Each class of directors is elected for a three-year term of office, and the terms are staggered so that the term of only one class of directors expires at each annual general meeting. There is also no requirement under Bermuda law or in our by-laws that our directors must retire at a certain age.

Any shareholder wishing to propose for election as a director a person who is not an existing director must give notice to the company of the intention to propose that person for election. The notice must be given not later than 90 days before the first anniversary of the last annual general meeting, or ten days after the notice of the general meeting, at which the directors will be elected, whichever is earlier.

Our by-laws provide that a director may be removed with or without cause by a majority of the other directors then in office. Our by-laws also provide that a director may be removed for cause by the affirmative vote of the holders of a majority of the shareholder votes cast at a general meeting at which a quorum is present, provided that notice is given to the director of the shareholders general meeting convened to remove the director. A director may be removed without cause upon the affirmative vote of the holders of a majority of the aggregate voting power of the shares of the Company which carry the right to vote on all matters submitted to shareholders, provided that notice is given to the director of the general meeting convened to remove the director, which notice must contain a summary of the facts justifying the removal and must be served on the director not less than fourteen days before the meeting. As long as a director has made a written request deposited at the registered office of the Company pursuant to the Companies Act 1981, a director is entitled to attend the general meeting and be heard at any general meeting called for his removal.

So long as a quorum remains in office, our board of directors may fill any casual vacancy occurring.

**Proceedings of Board of Directors**

Our by-laws provide that our business is to be managed and conducted by our board of directors. Bermuda law requires that our directors be individuals, but there is no requirement in our by-laws or Bermuda law that directors hold any of our shares.

The remuneration of our directors is determined by our board of directors, and there is no requirement that a specified number or percentage of independent directors must approve any such determination. Our directors may also be paid all travel, hotel and other expenses properly incurred by them in connection with our business or their duties as directors.

Provided that he or she discloses a direct or indirect interest in any contract or arrangement with us as required by Bermuda law, our by-laws provide that a director is entitled to be counted in the quorum, but may not vote in respect of any such contract or arrangement in which he or she is interested. Under Bermuda law, a director (including the spouse or children of the director or any company (other than a company which is a holding company or a subsidiary of the company making the loan) of which such director, spouse or children own or control, directly or indirectly,

more than 20% of the total capital or loan debt) cannot borrow from us without the consent of any shareholders holding in the aggregate not less than 90% of the total voting rights of all shareholders having the right to vote at any general meeting of the shareholders.

## **Table of Contents**

### **Waiver of Claims by Shareholders; Indemnification of Directors and Officers**

Our by-laws contain a provision by virtue of which our shareholders waive any claim or right of action that they may have, both individually and on our behalf, against any director or officer in relation to any action or failure to take action by such director or officer, except in respect of any fraud or dishonesty of such director or officer. We understand that, in the opinion of the staff of the SEC, the operation of this provision as a waiver of the right to sue for violations of U.S. federal securities laws would likely be unenforceable in U.S. courts.

Our by-laws also indemnify our directors and officers in respect of their actions and omissions, except in respect of their fraud or dishonesty.

### **Amalgamations and Other Business Combinations**

Under Bermuda law, the amalgamation or other business combination of a Bermuda company with another company (other than certain affiliated companies), unless the by-laws otherwise provide requires the amalgamation or other business combination to be approved by a majority of the Bermuda company's board of directors and by a majority of 75% of those voting at the general meeting of the Bermuda company. The quorum for the shareholder approval is two persons holding or representing at least one-third of the issued shares of the Company.

Our by-laws provide that an amalgamation or other business combination (as defined in our by-laws) (other than with a wholly-owned subsidiary) that has been approved by our board of directors must only be approved by a majority of the votes cast at a general meeting of our shareholders at which the quorum must be two persons representing the holders of more than 45% of the aggregate voting power of the paid-up and outstanding shares carrying the right to vote. Any amalgamation or other business combination (as defined in our by-laws) not approved by our board of directors must be approved by resolution passed by 66 2/3% of all votes attaching to all shares then in issue entitling the holder to attend and vote on the resolution.

### **Specified Transactions Involving Interested Shareholders**

Specified transactions include the following:

any merger, consolidation or amalgamation of the Company with an interested shareholder;

any disposition or security arrangement with or for the benefit of any interested shareholder involving any of our assets, securities or commitments or those of any subsidiary or any interested shareholder that has an aggregate fair market value and/or involves aggregate commitments of US\$250 million or more or constitutes more than 10% of the book value of the total assets or 10% of the shareholders equity of the entity in question;

the adoption of any plan for our liquidation or dissolution or for the discontinuation into another jurisdiction, unless proposed or adopted independently of any interested shareholder; or

any reclassification of our shares or other securities, or recapitalization, or any merger, consolidation or amalgamation with any of our subsidiaries or any other transaction that has the effect of increasing the proportionate share of any class of shares beneficially owned by an interested shareholder.

In addition to any affirmative vote required by law or our by-laws, a specified transaction with any interested shareholder will require the affirmative vote of not less than 66 2/3% of the aggregate voting power of the voting shares, voting together as a single class, excluding voting shares beneficially owned by any interested shareholder. Alternatively, a specified transaction may proceed with any affirmative vote required by law or our by-laws if the following principal conditions are satisfied in relation to common shares: (1) the approval of a majority of directors who are not affiliates of the interested shareholder; and (2) the aggregate amount of the cash and the fair market value as of the date of the consummation of the specified transaction of consideration other than cash to be received by the holder of common shares in such specified transaction shall be at least equal to the highest per share amount paid by the interested shareholder within a two-year period immediately prior to the first public announcement of the proposed specified transaction; or in the transaction in which he or she became such an interested shareholder (whichever is higher) or, if higher, the closing sales prices of such shares on the NYSE on the announcement date for the specified transaction or on the date of the transaction in which he or she became such an interested shareholder.

## **Table of Contents**

For purposes of our by-laws, an interested shareholder includes, among others, any person who is or has publicly disclosed an intention to become the beneficial owner of shares representing 10% or more of our aggregate voting power of the voting shares.

### **Non-Competition Provision Applicable to Brazil**

Our by-laws provide that we will operate and conduct business in Brazil exclusively through Cosan and its subsidiaries, and we will not compete, directly or indirectly, with Cosan in Brazil, unless otherwise approved by a majority of our independent directors.

### **Amendment of Memorandum of Association and By-laws**

Bermuda law provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of shareholders of which due notice has been given.

Our by-laws provide that no by-law will be rescinded, altered or amended, unless it has been approved by a resolution of our board of directors and by a resolution of the shareholders. In the case of rescission, alteration or amendment to the by-laws relating to interpretation, rights of shares, modification of rights, indemnity of directors and officers, amalgamations and other business combinations, specified transactions involving interested shareholders, our discontinuation into another jurisdiction, tag-along rights and amendment or alterations of by-laws, the required resolutions must include the affirmative vote of at least 66 2/3% of our directors then in office and holders of at least 66 2/3% of class A common shares and at least a majority of class B common shares then in issue entitling the holder to attend and vote on the resolution, with each class voting separately as a class. In the case of rescission, alteration or amendment to the by-laws relating to the transmission of shares upon the death of a holder of class B series 1 shares, election of directors, the removal of directors, the increase of share capital and the alteration of share capital, the requisite affirmative votes are a majority of the directors then in office and holders of a majority of each of class A common shares and class B common shares then in issue entitling the holder to attend and vote on the resolution, with each class voting separately as a class.

Under Bermuda law, the holders of an aggregate of not less than 20% in par value of the company's issued and outstanding share capital or any class thereof and or the holders of not less in the aggregate than 20% of the company's debentures entitled to object to amendments to the memorandum of association have the right to apply to the Bermuda court for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment which alters or reduces a company's share capital as provided in the Companies Act 1981.

Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda court. An application for an annulment of an amendment of the memorandum of association must be made within twenty-one days after the date on which the resolution altering the company's memorandum of association is passed and may be made on behalf of persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No application may be made by shareholders voting in favor of the amendment.

### **Modification of Rights**

While we have more than one class of shares and more than one series of class B common shares, the rights attaching to any class or series, unless otherwise provided for by the terms of issue of the relevant class or series, may be modified with the consent in writing of the holders or the approval of the votes cast at a general meeting representing

not less than 66- 2/3 % of the aggregate voting power of the shares in issue and not less than 75% of the aggregate voting power of the issued shares of that class or series, as the case may be. The quorum for any such general meeting will be two or more persons holding or representing by proxy one-third of the voting power of the issued shares of the class or series, as the case may be. Our by-laws specify that the creation or issue of shares ranking equally with existing shares will not, unless expressly provided by the terms of issue of those new shares, vary the rights attached to existing shares.

## **Table of Contents**

### **Appraisal Rights and Shareholder Suits**

Under Bermuda law, in the event of an amalgamation of a Bermuda company with another company, a shareholder of the Bermuda company who is not satisfied that fair value has been offered for such shareholder's shares may apply to the Bermuda court to appraise the fair value of those shares within one month of the giving of the notice of the shareholders' meeting called to approve the amalgamation.

Class actions and derivative actions are generally not available to shareholders under Bermuda law. Bermuda courts, however, may permit in certain circumstances a shareholder to commence an action in the name of a company to remedy a wrong to the company where the challenged act would allegedly be beyond the power of the company or illegal. In addition, consideration would be given by a Bermuda court to acts that would allegedly constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders' voting power than that which actually approved it.

When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some or all of the shareholders, one or more shareholders may apply to a Bermuda court, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company.

### **Capitalization of Profits and Reserves**

Pursuant to our by-laws, our board of directors may capitalize any part of the amount of our share premium account or any reserve or fund which is available for distribution by either: (1) paying up unissued shares to be allotted on a pro rata basis to shareholders as fully paid bonus shares; or (2) paying up in full partly paid shares of those shareholders who would be entitled to such sums if they were distributed by way of dividend or other distribution (or partly in one way and partly the other) provided that a share premium account may be applied only in paying up of unissued shares to be issued to such shareholders as fully paid.

### **Untraced Shareholders**

Our by-laws provide that our board of directors may forfeit any dividend or other monies payable in respect of any shares which remain unclaimed for six years. In addition, we are entitled to cease sending dividend warrants and checks by post or otherwise to a shareholder if such instruments have been returned undelivered to, or left uncashed by, such shareholder on at least two consecutive occasions or, following one such occasion, reasonable inquiries have failed to establish the shareholder's new address. This entitlement ceases if the shareholder claims a dividend or cashes a dividend check or a warrant.

### **Certain Provisions of Bermuda Law**

We have been designated by the Bermuda Monetary Authority as a non-resident for Bermuda exchange control purposes. This designation allows us to engage in transactions only in currencies other than the Bermuda dollar, and there are no restrictions on our ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to U.S. residents who are holders of our common shares.

Pursuant to a Notice to the Public dated June 1, 2005, issued by the Bermuda Monetary Authority, the Bermuda Monetary Authority granted general permission for the issue and subsequent transfer of any shares of a Bermuda company to and between non-residents of Bermuda where any shares of the company are listed and remain so listed on an appointed stock exchange, which includes the NYSE. Approvals or permissions given by the Bermuda



Monetary Authority do not constitute a guarantee by the Bermuda Monetary Authority as to our performance or our creditworthiness. Accordingly, in giving such permissions, the Bermuda Monetary Authority will not be liable for the financial soundness, performance or default of our business or for the correctness of any opinions or statements expressed in this annual report.

In accordance with Bermuda law, share certificates are only issued in the names of companies, partnerships or individuals. In the case of a shareholder acting in a special capacity (for example, as a trustee), certificates may, at the request of the shareholder, record the capacity in which the shareholder is acting. Notwithstanding such recording of any special capacity, we are not bound to investigate or see to the execution of any such trust. We will take no notice of any trust applicable to any of our shares, whether or not we have been notified of such trust.

## **Table of Contents**

### **Registrar or Transfer Agent**

A register of holders of the class A common shares and class B common shares and any other issued share capital is maintained by Compass Administration Services Ltd. in Bermuda, and a branch register is maintained in the United States by Mellon Investor Services LLC, who serves as branch registrar and transfer agent.

### **Anti-takeover Effects Of our By-laws**

Our by-laws contain provisions that could make it more difficult for a third party to acquire us without the consent of our board of directors. These provisions provide, among other things, for:

a classified board of directors with staggered three-year terms;

restrictions on the time period in which directors may be nominated;

the affirmative vote of a majority of our directors then in office and a majority of all votes cast at a general meeting or, if not approved by a majority of the directors in office, at least 66 2/3% of all votes attaching to all shares then in issue for amalgamation and other business combination transactions; and

the tag-along rights described under Tag-Along Rights.

### **C. Material Contracts**

For the two years immediately preceding the publication of this annual report, we were not a party to any material contract outside the ordinary course of business.

### **D. Exchange Controls**

Investors residing outside Brazil, including institutional investors, are authorized to purchase equity instruments, including BDRs, on a Brazilian stock exchange, provided that they comply with the registration requirements set forth in Resolution 2,689 and CVM Instruction No. 325. With certain limited exceptions, Resolution 2,689 investors are permitted to carry out any type of transaction in the Brazilian financial and capital markets involving a security traded on a stock, futures or organized and authorized over-the-counter market. Investments and remittances outside Brazil of gains, dividends, profits or other payments under our BDRs are made through the exchange markets and are subject to restrictions under foreign investment regulations which generally require, among other things, registration with the Brazilian Central Bank and the CVM. In order to subscribe BDRs through the foreign exchange market, under the Resolution 2,689, an investor residing outside Brazil must:

appoint at least one representative in Brazil with powers to take actions relating to the investment;

appoint an authorized custodian in Brazil for the investments, which must be a financial institution duly authorized by the Brazilian Central Bank and the CVM; and

through its representative, register itself as a foreign investor with the CVM and register the investment with the Brazilian Central Bank.

Securities and other financial assets held by foreign investors pursuant to Resolution 2,689 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Brazilian Central Bank or the CVM. In addition, securities trading by foreign investors is generally restricted to transactions on the Brazilian stock exchanges and organized over-the-counter markets involving securities listed for trading in such markets.

Additionally, an investor operating under the provisions of Resolution 2,689 must be registered with the Brazilian Taxpayers Registry, managed by the Brazilian Federal Revenue Office (*Receita Federal do Brasil*), pursuant to its Instruction No. 568. For information on certain possible Brazilian tax effects on the sale of our BDRs, see Item 3. Key Information D. Risk Factors.

**Table of Contents**

**E. Taxation**

**U.S. Federal Income Tax Considerations**

The following is a description of the material U.S. federal income tax consequences of owning and disposing of our common shares. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to hold the securities. This discussion applies to you only if you are a U.S. Holder (as defined below) that holds our common shares as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax consequences, the potential application of the provisions of the Internal Revenue Code of 1986, as amended, or the Code, known as the Medicare contribution tax and differing tax consequences applicable to you if you are, for instance:

a financial institution;

a regulated investment company;

a dealer or electing trader in securities;

holding our common shares as part of a straddle, integrated transaction or similar transaction;

a person whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;

a partnership for U.S. federal income tax purposes;

a tax-exempt entity; or

a person that owns or is deemed to own ten percent or more of our voting stock;

If you are a partnership for U.S. federal income tax purposes holding our common shares, the U.S. federal income tax treatment of your partners will generally depend on the status of the partners and the activities of your partnership. Partnerships holding our common shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of our common shares.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. Please consult your tax adviser concerning the U.S. federal, state and local and non-U.S. tax consequences of owning and disposing of our common shares in your particular circumstances.

As used herein, the term **U.S. Holder** means a beneficial owner of our common shares that is, for U.S. federal income tax purposes:

a citizen or individual resident of the United States;

a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any state therein or the District of Columbia; or

an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source. This discussion generally assumes that we are not, and will not become, a passive foreign investment company, as described below.

### **Taxation of Distributions**

Distributions paid on our common shares, other than certain *pro rata* distributions of common shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not expect to determine our earnings and profits in accordance with U.S. federal income tax principles, you should expect that a distribution will generally be reported as a dividend. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders will be eligible for taxation as qualified dividend income and therefore will be taxable at rates applicable to long-term capital gains, provided that certain holding period and other requirements are satisfied. The amount of the dividend will be treated as foreign-source dividend income to you and will not be eligible for the dividends-received deduction generally allowed to U.S. corporations under the Code.

---

## **Table of Contents**

Dividends will be included in your income on the date you receive them.

### **Sale or Other Disposition of Common Shares**

For U.S. federal income tax purposes, gain or loss you realize on the sale or other disposition of our common shares will be capital gain or loss, and will be long-term capital gain or loss if you held those shares for more than one year at the time of disposition. The amount of gain or loss will be equal to the difference between your tax basis in the shares disposed of and the amount realized on the disposition. The gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes.

### **Passive Foreign Investment Company Rules**

In general, a non-U.S. corporation will be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year in which, after applying certain look-through rules, either (1) at least 75% of its gross income is passive income or (2) at least 50% of the average quarterly value of its assets consists of assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from foreign currency, securities and certain commodities transactions. Based on the current composition of our income and the market value and composition of our assets, we do not believe that we were a PFIC for our taxable year ended December 31, 2015. However, because PFIC status depends upon the composition of our income and assets and the market value of our assets (including, among others, goodwill and less than 25% owned equity investments) from time to time, we cannot assure you that we will not be considered a PFIC for any taxable year.

If we were a PFIC for any taxable year during which you held our common shares, gain recognized by you on a sale or other disposition (including certain pledges) of the common shares would be allocated ratably over your holding period for the common shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate on ordinary income in effect for individuals or corporations, as appropriate for that taxable year, and an interest charge would be imposed on the resulting tax liability. Further, to the extent any distribution in respect of our common shares exceeded 125% of the average of the annual distributions on common shares received by you during the preceding three years or your holding period, whichever was shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. Certain elections might be available that would result in alternative treatments (such as mark-to-market treatment) of our common shares. You should consult your tax adviser to determine whether these elections would be available and, if so, what the consequences of the alternative treatments would be in your particular circumstances.

In addition, if we were a PFIC for the taxable year in which we paid a dividend or for the prior taxable year, the favorable tax rates applicable to long-term capital gains discussed above with respect to dividends paid to non-corporate U.S. Holders would not apply.

If a U.S. Holder owns our common shares during any year in which the Company is a PFIC, the U.S. Holder generally must file annual reports containing such information as the U.S. Treasury may require on IRS Form 8621 (or any successor form) with respect to the Company, generally with the U.S. Holder's federal income tax return for that year.

U.S. Holders should consult their tax advisers regarding the potential application of the PFIC rules.

### **Information Reporting and Backup Withholding**

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and backup withholding unless (1) you are an exempt recipient or (2) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding.

## **Table of Contents**

The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. Holders who are individuals (and under recently finalized Treasury regulations, specified entities that are formed or availed of for purposes of holding certain foreign financial assets) may be required to report information relating to their ownership of an interest in certain foreign financial assets, including stock of a non-U.S. entity, subject to certain exceptions (including an exception for publicly traded stock and interests held in custodial accounts maintained by a U.S. financial institution). U.S. Holders are urged to consult their tax advisers regarding the effect, if any, of this requirement on the ownership and disposition of our common shares.

## **Bermuda Tax Considerations**

The Company has received an assurance from the Ministry of Finance granting an exemption, until March 28, 2016, from the imposition of tax under any applicable Bermuda law computed on profits or income or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, provided that such exemption shall not prevent the application of any such tax or duty to such persons as are ordinarily resident in Bermuda and shall not prevent the application of any tax payable in accordance with the Land Tax Act 1967 or otherwise payable in relation to land in Bermuda leased to the Company.

## **F. Dividends and Paying Agents**

Not applicable.

## **G. Statement by Experts**

Not applicable.

## **H. Documents on Display**

Statements contained in this annual report as to the contents of any contract or other document referred to are not necessarily complete, and each of these statements is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit hereto. A copy of the complete annual report including the exhibits and schedules filed herewith may be inspected without charge at the public reference facilities maintained by the SEC at 100 F Street NE., Washington, D.C., and at the SEC's regional offices located at 233 Broadway, New York, N.Y., 10279 and North Western Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such materials may be obtained by mail from the Public Reference Section of the SEC, 100 F Street NE., Washington, D.C., at prescribed rates. Such reports and other information may also be inspected at the offices of the New York Stock Exchange, 11 Wall Street, New York, N.Y. 10005, on which our class A common shares are listed. In addition the SEC maintains a website that contains information filed electronically with the SEC, which can be accessed over the Internet at <http://www.sec.gov>.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934 as amended, and, in accordance therewith, file periodic reports and other information with the SEC. However, as a foreign private issuer, we are exempt from the rules under the Exchange Act relating to the furnishing and content of



proxy statements and relating to short-swing profits reporting and liability.

We also file consolidated financial statements and other periodic reports with the CVM located at Rua Sete de Setembro, 111, Rio de Janeiro, Brazil 20159-900.

**I. Subsidiary Information**

Not applicable.

---

**Table of Contents**

**Item 11. Quantitative and Qualitative Disclosures About Market Risk**

**Risk Management**

We consider market risk to be the potential loss arising from adverse changes in market rates and prices. The company, its subsidiaries and jointly-controlled entities are exposed to market risks, chief of which are: (1) credit risk; (2) liquidity risk; (3) commodities risk; (4) interest rate risk; and (5) foreign currency exchange rate risk. In order to manage its market risks, the Company has adopted policies and procedures which establish limits and monitor risk exposure, counterparties and approve financial instruments. Risk and financial instrument management activities are carried out through the definition of strategies, establishment of control systems and determination of limits to exposure to market risks. We periodically review our exposure to market risks and determine at the senior management level how to manage and reduce the impact of these risks.

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

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

**Credit Risk**

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

**Liquidity Risk**

Liquidity risk arises where we may encounter difficulties in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. Our approach to managing liquidity is to ensure, as far as possible, that we will have sufficient liquidity to meet our liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation. Please see note 1 to our audited consolidated financial statements for measures on which our management has been working to enable us to honor our commitments.

We have entered into an agreement with financial institutions that allows certain of our suppliers to anticipate payment of their receivables against us. Such operations are also known in the market as confirming or forfeiting. As of December 31, 2015, the consolidated balance anticipated by our suppliers with financial institutions was R\$236,697 thousand. All these operations were with Banco Itaú at an average interest rate of 15.96%. The average term of these operations, which are recorded at their present values at the interest rate previously mentioned, is three months.

**Commodities Risk**

Mainly applicable to Raízen Energia, agricultural commodity prices and supply levels change according to unpredictable factors such as the weather, investments, government programs and policies and changes in world demand, among others. Raízen conducts sensitivity tests to estimate its exposure to these risks and uses derivatives to mitigate its exposure to sugar price oscillation on the international market. Derivative operations allow the Company to ensure an average margin for future sales. Raízen actively manages its open positions and monitors the result of these activities on a daily basis through effective mark-to-market controls and price impact simulations so that it may adjust targets and strategies due to changes in market conditions.

Based on the sugar sales volumes in the fiscal year ended December 31, 2015, a hypothetical 10% decrease or increase in unhedged prices would reduce or raise our sugar net sales (as applicable).

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

**Table of Contents**

As of December 31, 2015, Raízen had entered into hedging agreements with respect to 3,051 thousand tons of VHP sugar (Futures sold less Futures bought) at an average fixed price of US\$14.2 per tonne.

The table below provides information about the Company's sugar derivative contracts that are sensitive to changes in commodity prices, specifically sugar prices as of December 31, 2015. For the derivative contracts the table presents the notional amounts in tons, the weighted average contract prices, and the total U.S. dollar contract amount by expected maturity dates.

**Price Risk Commodities Derivatives Opened as at December 31, 2015**

Derivatives	Purchased / Sold	Market	Agreement	Maturity date	Notional (unit)	Notional (R\$ thousand)	Fair value
Future	Sold	NYSE LIFFE	<i>Sugar#5</i>	Apr/15	3,750 t	3,993	5
Future	Sold	NYSE LIFFE	<i>Sugar#5</i>	Jul/15	5,850 t	6,220	(18)
Future	Sold	NYSE LIFFE	<i>Sugar#5</i>	Sep/15	7,800 t	8,672	(44)
Future	Sold	NYSE LIFFE	<i>Sugar#5</i>	Nov/15	2,850 t	3,235	(17)
Future	Sold	ICE	<i>Sugar#11</i>	Feb/15	1,372,376 t	1,387,615	222,268
Future	Sold	ICE	<i>Sugar#11</i>	Apr/15	231,202 t	220,244	18,242
Future	Sold	ICE	<i>Sugar#11</i>	Jun/15	338,344 t	333,224	31,074
Future	Sold	ICE	<i>Sugar#11</i>	Sep/15	464,131 t	474,378	48,481
Future	Sold	ICE	<i>Sugar#11</i>	Feb/16	111,105 t	114,146	9,952
Future	Sold	ICE	<i>Sugar#11</i>	Jun/16	7,264 t	7,861	867
Future	Sold	ICE	<i>Sugar#11</i>	Sep/16	5,944 t	6,504	716
Sub-total of sugar future sold					2,550,616 t	2,566,092	331,526
Future	Purchased	ICE	<i>Sugar#11</i>	Feb/15	(1,153,316) t	(1,122,075)	(141,434)
Future	Purchased	ICE	<i>Sugar#11</i>	Apr/15	(152,255) t	(146,412)	(13,387)
Future	Purchased	ICE	<i>Sugar#11</i>	Jun/15	(23,928) t	(22,678)	(1,309)
Future	Purchased	ICE	<i>Sugar#11</i>	Sep/15	(21,642) t	(20,623)	(764)
Future	Purchased	ICE	<i>Sugar#11</i>	Feb/16	(9,144) t	(9,204)	(411)
Sub-total of sugar future purchased					(1,360,285) t	(1,320,992)	(157,305)
<b>Sub-total of sugar</b>					<b>1,190,331 t</b>	<b>1,245,100</b>	<b>174,221</b>
Future	Sold	BM&FBovespa	Ethanol	Dec/14	11,520 m <sup>3</sup>	13,995	41
Future	Sold	BM&FBovespa	Ethanol	Jan/15	3,000 m <sup>3</sup>	4,020	15
Future	Sold	BM&FBovespa	Ethanol	Mar/15	12,300 m <sup>3</sup>	15,164	(61)
Future	Sold	NYMEX	Ethanol	Jan/15	2,520 m <sup>3</sup>	10,874	407
Future	Sold	NYMEX	Ethanol	Feb/15	2,520 m <sup>3</sup>	10,874	641
Future	Sold	NYMEX	Ethanol	Mar/15	2,520 m <sup>3</sup>	10,874	596
Future	Sold	NYMEX	Ethanol	Apr/15	2,940 m <sup>3</sup>	13,014	968
Future	Sold	NYMEX	Ethanol	May/15	2,940 m <sup>3</sup>	13,014	933
Future	Sold	NYMEX	Ethanol	Jun/15	2,940 m <sup>3</sup>	13,014	900

Edgar Filing: Cosan Ltd. - Form 20-F

Future	Sold	CHGOETHNL	Ethanol	Jan/15	116,480 m <sup>3</sup>	132,562	5,564
Future	Sold	CHGOETHNL	Ethanol	Feb/15	50,400 m <sup>3</sup>	55,818	2,093
Future	Sold	CHGOETHNL	Ethanol	Mar/15	44,000 m <sup>3</sup>	48,074	963
Future	Sold	CHGOETHNL	Ethanol	Apr/15	45,600 m <sup>3</sup>	54,484	5,440
Future	Sold	CHGOETHNL	Ethanol	May/15	41,600 m <sup>3</sup>	50,046	5,177
Future	Sold	CHGOETHNL	Ethanol	Jun/15	41,600 m <sup>3</sup>	50,046	5,055
Future	Sold	EURTHNL T2	Ethanol	Jan/15	2,000 m <sup>3</sup>	2,944	(16)
Sub-total of ethanol future sold					384,880 m <sup>3</sup>	498,817	28,716
Future	Purchased	BM&FBovespa	Ethanol	Dec/14	(17,460 m <sup>3</sup> )	(21,690)	(61)
Future	Purchased	BM&FBovespa	Ethanol	Jan/15	(18,240 m <sup>3</sup> )	(22,913)	(91)
Future	Purchased	BM&FBovespa	Ethanol	Mar/15	(15,000 m <sup>3</sup> )	(19,022)	75
Future	Purchased	NYMEX	Ethanol	Jan/15	(2,940 m <sup>3</sup> )	(13,044)	(833)
Future	Purchased	NYMEX	Ethanol	Feb/15	(2,940 m <sup>3</sup> )	(13,044)	(1,105)
Future	Purchased	NYMEX	Ethanol	Mar/15	(2,940 m <sup>3</sup> )	(13,044)	(1,052)
Future	Purchased	NYMEX	Ethanol	Apr/15	(1,260 m <sup>3</sup> )	(5,586)	(424)
Future	Purchased	NYMEX	Ethanol	May/15	(1,260 m <sup>3</sup> )	(5,586)	(409)
Future	Purchased	NYMEX	Ethanol	Jun/15	(1,260 m <sup>3</sup> )	(5,587)	(395)
Future	Purchased	CHGOETHNL	Ethanol	Jan/15	(156,640 m <sup>3</sup> )	(190,687)	(19,903)
Future	Purchased	CHGOETHNL	Ethanol	Feb/15	(85,600 m <sup>3</sup> )	(104,359)	(13,112)
Future	Purchased	CHGOETHNL	Ethanol	Mar/15	(61,600 m <sup>3</sup> )	(72,340)	(8,385)
Future	Purchased	CHGOETHNL	Ethanol	Apr/15	(57,600 m <sup>3</sup> )	(63,392)	(1,443)
Future	Purchased	CHGOETHNL	Ethanol	May/15	(53,600 m <sup>3</sup> )	(59,045)	(1,234)
Future	Purchased	CHGOETHNL	Ethanol	Jun/15	(53,600 m <sup>3</sup> )	(59,020)	(1,047)
Future	Purchased	EURTHNL T2	Ethanol	Jan/15	(3,000 m <sup>3</sup> )	(4,221)	200
Sub-total of ethanol future purchased					(534,940m <sup>3</sup> )	(672,580)	(49,219)
Physical fixed	Sold	CHGOETHNL	Ethanol	Jan15-Oct/15	275,684 m <sup>3</sup>	427,928	30,621
Physical fixed	Purchased	CHGOETHNL	Ethanol	Jan15-Oct/15	(250,578 m <sup>3</sup> )	(338,805)	2,461
Sub-total of physical fixed					25,106 m <sup>3</sup>	89,123	33,082
<b>Sub-total of ethanol</b>					<b>(124,954) m<sup>3</sup></b>	<b>(84,640)</b>	<b>12,579</b>

---

**Table of Contents**

**Interest Rate Risk**

We have fixed and floating rate indebtedness and, therefore, we are exposed to market risk as a result of changes in interest rates. See Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Indebtedness for further information.

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

As of December 31, 2015, 9%, or R\$1,688.1 million (51.6%, or R\$4,394.2 million as of December 31, 2014) of our consolidated total debt outstanding was fixed rate debt.

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

Based on the foregoing, we believe that as of December 31, 2015, a hypothetical 10% increase in all interest rates would increase our financial expenses by R\$168.8 per year based on the net financial expenses we recorded in our consolidated statement of profit or loss for the fiscal year ended December 31, 2015.

**Foreign Currency Exchange Rate Risk**

The foreign exchange variations to which we are exposed are mainly related to perpetual bond issuances amounting to US\$500 million and the 2023 bonds issued by Cosan S.A. We use derivatives to hedge the cash flows for payment of interest on this debt against a possible appreciation of U.S. dollar against the *real*. In addition, basic oil imports for the lubricants business are also exposed to foreign exchange variations, hedged by derivatives on a case-by-case basis.

A significant portion of the revenue of the jointly-controlled subsidiary Raízen Energia is dollar denominated. Most of Raízen Energia's costs are denominated in *reais* and therefore, when the real appreciates against dollar, its operating margins are adversely affected. A considerable part of Raízen's debt is also denominated in dollars exposing it to the risk of variations in the *real* to U.S. dollar exchange rate (derivative financial instruments are used to hedge the cash flows for payment of interest of these debts).

Raízen Energia has foreign exchange derivatives in order to mitigate its exposure to the effect of foreign exchange variations on its sugar and ethanol export revenues, combined with cash outlays to cover its debt commitments in foreign currency, mainly the U.S. dollar. The exchange rate derivatives together with the sugar price derivatives allow Raízen to ensure an average margin from future sales. Raízen actively manages open positions, and the results of these activities are monitored on a daily basis through effective mark-to-market controls and price impact simulations that allow Raízen to adjust targets and strategies as a result of changes in market conditions. Raízen uses financial derivative instruments to hedge foreign exchange risk.

At December 31, 2015, we had outstanding currency derivatives fair valued at R\$311.9 million (R\$556.0 million in the fiscal year ended December 31, 2014) which were represented by forward, future, swap and put option contracts as disclosed in note 34 of our consolidated financial statements.



**Table of Contents**

As a measure of our market risk with respect to our foreign currency exposure, a hypothetical 10% appreciation of the *real* against the U.S. dollar would increase our export sales by approximately R\$5.2 million per year, based on the level of our total export sales for the fiscal year ended December 31, 2015, before considering the effects on U.S. dollar derivative contracts and other dollar denominated assets and liabilities, as set forth below:

	<b>Notional amount/ Quantity</b>	<b>Estimated Fair value Asset (Liability)</b>	<b>Foreign Exchange Gain/ Loss 10% FX rate Increase</b>
<b>U.S. dollar financial instruments outstanding at December 31, 2015:</b>			
			<b>(in thousands of reais)</b>
Denominated debt	6,653,005	6,653,005	665,301
Denominated receivables	(18,227)	(18,227)	(1,823)
Denominated derivative financial instruments (net)	311,858	311,858	31,186
- Exchange lock commitments	311,858	311,858	31,186
<b>Net potential impact Cosan</b>	<b>6,946,636</b>	<b>6,946,636</b>	<b>694,664</b>

**Item 12. Description of Securities other than Equity Securities**

Not applicable.



**Table of Contents**

**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

**Item 14. Material Modifications to the Rights of Security Holders**

None.

**Item 15. Controls and Procedures**

***(a) Disclosure Controls and Procedures***

As of December 31, 2015, under management's supervision and with its participation, including that of our Chief Executive Officer and Chief Financial Officer, we performed an evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934).

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2015 to ensure that information required to be disclosed under the Exchange Act is recorded, authorized, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and the information required to be disclosed is accumulated and communicated, in order to allow timely decisions regarding required disclosure.

***(b) Management's Annual Report on Internal Control over Financial Reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Act of 1934. Management conducted an assessment of the effectiveness of internal control over financial reporting based on recommendations and correlated layers established in the Internal Controls Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO 2013. Based on this assessment and those criteria, management concluded that internal control over financial reporting was effective as of December 31, 2015.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions.

We completed the ALL Acquisition on April 1, 2015. Pursuant to COSO 2013, management has excluded ALL from the scope of its analysis of internal control over financial reporting as of December 31, 2015. ALL had total assets of R\$18,664.4 million and total net revenue of R\$3,327.2 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2015.

**(c) Attestation Report of the Registered Public Accounting Firm**

The effectiveness of the internal control over financial reporting, as of December 31, 2015, has been audited by KPMG Auditores Independentes ( KPMG ), an independent registered public accounting firm, whose attestation report on such matter appears on page F-3.

**Table of Contents****(d) Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, our internal control over financial reporting.

**Item 16A. Audit Committee Financial Expert  
Audit Committee**

We have an audit committee responsible for advising the board about the selection of independent auditors, reviewing the scope of the audit, validating other allowed services provided by our independent auditors, and evaluating our internal controls on a steady basis. The members of our audit committee are Messrs. José Alexandre Scheinkman (chairman), Mailson Ferreira da Nóbrega, and Helio França Filho.

These members are independent, and our board of directors has determined that both José Alexandre Scheinkman and Mailson Ferreira da Nóbrega are Audit Committee Financial Experts in accordance with SEC rules and regulations.

**Item 16B. Code of Business Conduct and Ethics**

NYSE Rule 303A.10 provides that each U.S. listed company must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers. Although not required under Bermuda law, the Company has adopted a code of business conduct and ethics for directors, officers and employees as provided for in NYSE Rule 303A.10, which has been filed with the SEC. See Exhibit 11.1.

**Item 16C. Principal Accountant Fees and Services**

The following table describes the total amount billed to us by KPMG for services performed during the fiscal year ended December 31, 2015 and total amount billed to us by PricewaterhouseCoopers Auditores Independentes ( PwC ) during the fiscal year ended December 31, 2014:

	At December 31, 2015	At December 31, 2014
	(in thousands of reais)	
Audit fees	3,903.3	3,541
Audit related fees	1,532.4	262
All other fees	1,191.2	
<b>Total consolidated audit fees</b>	<b>6,626.9</b>	<b>3,803</b>

**Audit Fees**

Audit fees are fees billed for the audit of our annual consolidated financial statements and for the reviews of our quarterly consolidated financial statements furnished on Form 6-K.

**Other Fees**

Other fees refer to other assurance services regarding the review of comfort letters in connection with our bond issuances.

**Pre-Approval Policies and Procedures**

Our audit committee approves all audit, audit-related services, tax services and other services provided by our principal accountants. Any services provided by our principal accountants that are not specifically included within the scope of the audit must be pre-approved by the board of directors in advance of any engagement. The board of directors is permitted to approve certain fees for audit-related services, tax services and other services pursuant to a *de minimis* exception prior to the completion of the audit engagement.

**Table of Contents**

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

**Item 16F. Change in Registrant's Certifying Accountant**

Not applicable.

**Item 16G. Corporate Governance**

For a comparison of the significant differences between our corporate governance practices and the NYSE Corporate Governance Standards, please see Item 6. Directors, Senior Management and Employees C. Summary of Significant Differences of Corporate Governance Practices.

**Item 16H. Mine Safety Disclosure**

Not applicable.

**Table of Contents**

**PART III**

**Item 17. Financial Statements**

We have responded to Item 18 in lieu of responding to this Item.

**Item 18. Financial Statements**

See our audited consolidated financial statements beginning on page F-1.

**Item 19. Exhibits**

We are filing the following documents as part of this annual report on Form 20-F:

- 1.1 Memorandum of Association (incorporated by reference to our amended registration statement filed on Form F-1/A with the Securities and Exchange Commission on August 9, 2007).
- 1.2 By-Laws (incorporated by reference to our amended registration statement filed on Form F-1/A with the Securities and Exchange Commission on August 9, 2007).
- 2.1 Indenture dated as of January 26, 2007 among Cosan Finance Limited, as issuer, Cosan S.A. Indústria e Comércio and Usina Da Barra S.A. Açúcar e Álcool, as guarantors, The Bank of New York, as trustee, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as principal paying agent and The Bank of New York Luxembourg S.A., as Luxembourg paying agent (incorporated by reference to our registration statement filed on Form F-1 with the Securities and Exchange Commission on June 25, 2007).
- 2.2 Indenture dated August 11, 2009 among CCL Finance Limited, Cosan Combustíveis e Lubrificantes S.A., (now CLE) The Bank Of New York Mellon, as Trustee, The Bank of New York Mellon Trust (Japan), Ltd., as Principal Paying Agent, and the Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Listing, Paying and Transfer Agent (incorporated by reference to Exhibit 2.4 of our annual report on Form 20-F for the year ended March 31, 2009).
- 2.3 Indenture dated November 5, 2010 among Cosan Overseas Limited, Cosan S.A. Indústria e Comércio, The Bank of New York Mellon, as Trustee, New York Paying Agent, Transfer Agent and Registrar, The Bank of New York Mellon (London Branch), as London Paying Agent and The Bank of New York Mellon (Luxembourg) S.A., as Paying Agent and Transfer Agent (incorporated by reference to Exhibit 2.5 of our annual report on Form 20-F for the year ended March 31, 2011).

## Edgar Filing: Cosan Ltd. - Form 20-F

- 2.4 Indenture dated March 14, 2013 among Cosan Luxembourg S.A., Cosan S.A. Indústria e Comércio, Deutsche Bank Trust Company, as Trustee, New York Paying Agent, Transfer Agent and Registrar and Deutsche Bank Luxembourg S.A., as Luxembourg Paying Agent (incorporated by reference to Exhibit 2.4 of our annual report on Form 20-F for the year ended March 31, 2013).
- 2.5 Indenture dated March 14, 2013 among Cosan Luxembourg S.A., Cosan S.A. Indústria e Comércio, Deutsche Bank Trust Company, as Trustee, New York Paying Agent, Transfer Agent, Registrar and Calculation Agent and Deutsche Bank Luxembourg S.A., as Luxembourg Paying Agent (incorporated by reference to Exhibit 2.5 of our annual report on Form 20-F for the year ended March 31, 2013).
- 4.1 Loan Agreement dated as of June 28, 2005 among Cosan S.A. Indústria e Comércio, as borrower, and International Finance Corporation (incorporated by reference to our registration statement filed on Form F-1 with the Securities and Exchange Commission on June 25, 2007).
- 4.2 Agreement for the Sale and Purchase of all of the Member Interests in Parent Co-Operative 1 and Parent Co-Operative 2 dated April 23, 2008, between ExxonMobil International Holdings B.V., as vendor, and the registrant's subsidiaries Cosan S.A. Indústria e Comércio and Usina da Barra S.A. Açúcar e Álcool, as purchasers\* (incorporated by reference to our Amendment to our Current Report filed on Form 6-K/A on June 10, 2009).
- 4.3 Framework Agreement dated August 25, 2010 among Cosan S.A. Indústria e Comércio, Cosan Distribuidora de Combustíveis S.A., Cosan Limited, Houches Holdings S.A., Shell Brasil Limitada, Shell Brazil Holding B.V., Shell Overseas Holdings Limited and Milimétrica Participações S.A., or Framework Agreement (incorporated by reference to Exhibit 4.3 of our annual report on Form 20-F for the year ended March 31, 2010).

**Table of Contents**

- 4.4 First Amendment to the Framework Agreement, dated as of April 7, 2011 (incorporated by reference to Exhibit 4.4 of our annual report on Form 20-F for the year ended March 31, 2011).
- 4.5 Second Amendment to the Framework Agreement, dated as of June 1, 2011 (incorporated by reference to Exhibit 4.5 of our annual report on Form 20-F for the year ended March 31, 2011).
- 4.6 Joint Venture Agreement among Cosan S.A. Indústria e Comércio, Cosan Limited, Raízen Combustíveis S.A., Raízen S.A., Shell Brazil Holding B.V., Shell Overseas Holdings Limited and Raízen Energia Participações S.A. dated June 1, 2011(incorporated by reference to Exhibit 4.6 of our annual report on Form 20-F for the year ended March 31, 2011).
- 4.7 Operating and Coordination Agreement dated June 1, 2011 relating to Raízen Energia Participações S.A., Raízen Combustíveis S.A. and Raízen S.A. (incorporated by reference to Exhibit 4.7 of our annual report on Form 20-F for the year ended March 31, 2011).
- 4.8 Shareholders Agreement of Raízen Combustíveis S.A., dated as of June 1, 2011(incorporated by reference to Exhibit 4.8 of our annual report on Form 20-F for the year ended March 31, 2011).
- 4.9 Shareholders Agreement of Raízen Energia Participações S.A., dated as of June 1, 2011 (incorporated by reference to Exhibit 4.9 of our annual report on Form 20-F for the year ended March 31, 2011).
- 4.10 Term Loan among Cosan Cayman Limited, certain Lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent for the Lenders dated April 1, 2011 (incorporated by reference to Exhibit 4.10 of our annual report on Form 20-F for the year ended March 31, 2012).
- 4.11 Share Purchase Agreement for the acquisition of Comma Oil & Chemicals Limited dated February 29, 2012, between Esso Petroleum Company, Limited and Cosan S.A. Indústria e Comércio (incorporated by reference to Exhibit 4.11 of our annual report on Form 20-F for the year ended March 31, 2013).
- 4.12 Share Purchase Agreement for the acquisition of COMGÁS dated May 28, 2012, between Integra Investments B.V., BG Energy Holdings Limited, Provence Participações S.A. and Cosan S.A. Indústria e Comércio (incorporated by reference to Exhibit 4.12 of our annual report on Form 20-F for the year ended March 31, 2013).
- 8.1 Subsidiaries of the Registrant.
- 11.1 Code of Ethics (incorporated by reference from our exhibit to our annual report filed on Form 20-F for the Fiscal Year ended April 30, 2008).



- 12.1 Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 of the Chief Executive Officer.
- 12.2 Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 of the Chief Financial Officer.
- 13.1 Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer.
- 13.2 Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer.
- 13.3 Financial Statements for the fiscal years ended March 31, 2015, 2014 and 2013 of Raízen Energia and Raízen Combustíveis .\*\*

\* Portions of this item have been omitted pursuant to a request for confidential treatment.

\*\* Since the fiscal year of these companies differ to those of Cosan Limited, the financial statements will be filed at a later date.

Table of Contents

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

COSAN LIMITED

By: /s/ MARCELO EDUARDO MARTINS  
**Name: Marcelo Eduardo Martins**  
Title: Chief Financial Officer

Date: April 28, 2016

**Table of Contents**

**Cosan Limited**

Consolidated financial statements as at  
December 31, 2015 and report of independent  
registered public accounting firm

F-1

**Table of Contents**

**Cosan Limited**

**Consolidated financial statements**

**December 31, 2015**

**Contents**

<u>Management's Annual Report on Internal Control over Financial Reporting</u>	F-3
<u>Reports of Independent Registered Public Accounting Firms</u>	F-4
<u>Consolidated statements of financial position</u>	F-7
<u>Consolidated statements of profit or loss and other comprehensive income</u>	F-9
<u>Consolidated statements of changes in equity</u>	F-11
<u>Consolidated statements of cash flows</u>	F-14
<u>Notes to the consolidated financial statements</u>	F-16

F-2

---

**Table of Contents**

**Management's Annual Report on Internal Control over Financial Reporting**

The management of Cosan Limited (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, based on the criteria set forth in *Internal Control- Integrated Framework 2013* issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO). Based on that assessment management has concluded that as of December 31, 2015, the Company's internal control over financial reporting is effective.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by KPMG Auditores Independentes, the Company's independent registered public accounting firm, as stated in their report which appears herein.

The Management's Annual Report on Internal Control over Financial Reporting has excluded the América Latina Logística S.A. (ALL) from its assessment of internal control over financial reporting as of December 31, 2015, because they were acquired by the Company in business combinations during fiscal year 2015 (see note 5 to the consolidated financial statements). The total assets of the ALL businesses acquired by Cosan Limited represents R\$18,664.4 million and total revenue represents R\$3,327.2 million of the related consolidated financial statement amounts as of and for the year ended December 31, 2015.

São Paulo, Brazil

/s/ Marcos Marinho Lutz  
Marcos Marinho Lutz  
Chief Executive Officer

/s/ Marcelo Eduardo Martins  
Marcelo Eduardo Martins  
Chief Financial Officer

---

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders

Cosan Limited:

We have audited the accompanying consolidated statement of financial position of Cosan Limited and subsidiaries (the Company) as of December 31, 2015 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended December 31, 2015. We also have audited Cosan Limited's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Cosan Limited's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's annual report on internal control over financial reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Table of Contents**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cosan Limited and subsidiaries as of December 31, 2015 and the results of their operations and their cash flows for the year ended December 31, 2015, in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Also in our opinion, Cosan Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Cosan Limited acquired América Latina Logística S.A. ( ALL ) during 2015, and management excluded from its assessment of the effectiveness of Cosan Limited s internal control over financial reporting as of December 31, 2015, ALL s internal control over financial reporting associated with total assets of R\$18,664,429 thousand and total net revenues of R\$3,327,246 thousand included in the consolidated financial statements of Cosan Limited and subsidiaries as of and for the year ended December 31, 2015. Our audit of internal control over financial reporting of Cosan Limited also excluded an evaluation of the internal control over financial reporting of ALL.

KPMG Auditores Independentes

São Paulo, SP, Brazil

March 9, 2016

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of

Cosan Limited

In our opinion, the accompanying consolidated statement of financial position as of December 31, 2014 and the related consolidated statements of profit or loss and other comprehensive income, of changes in shareholders' equity and of cash flows for the year ended December 31, 2014 and nine-month period ended December 31, 2013 present fairly, in all material respects, the financial position of Cosan Limited and its subsidiaries at December 31, 2014, and the results of their operations and their cash flows for the year ended December 31, 2014 and nine-month-period ended December 31, 2013 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Campinas, Brazil

March 18, 2015

/s/ PricewaterhouseCoopers

PricewaterhouseCoopers

Auditores Independentes



**Table of Contents****Cosan Limited****Consolidated statements of financial position***(In thousands of Brazilian Reais - R\$)*

	Note	December 31, 2015	December 31, 2014
<b>Assets</b>			
Cash and cash equivalents	7	3,505,824	1,649,340
Restricted cash		57,290	
Investment securities	8	749,698	149,735
Trade receivables	9	904,245	865,109
Derivative financial instruments	34	138,105	30,069
Inventories	10	656,901	353,720
Receivables from related parties	13	75,229	38,357
Income tax receivable		135,050	94,100
Other current tax receivable	11	311,892	78,818
Other trade receivables	12		69,683
Dividends receivable		12,064	36,130
Assets held for sale	16	149,938	25,089
Other current assets		138,995	174,957
<b>Total current assets</b>		<b>6,835,231</b>	<b>3,565,107</b>
Trade receivables	9	60,733	480,992
Restricted cash		200,893	
Deferred tax assets	25	1,698,611	214,164
Receivables from related parties	13	221,345	212,527
Income tax receivable		274,597	8,778
Other non-current tax receivable	11	633,549	17,299
Judicial deposits	26	680,224	418,385
Other trade receivables	12		370,497
Derivative financial instruments	34	2,292,191	860,509
Other non-current assets		1,185,787	648,669
Investments in associates	14	184,376	130,677
Investments in joint ventures	15	8,329,520	8,404,503
Investment property	16	2,595,035	2,641,978
Property, plant and equipment	17	9,805,887	1,435,890
Intangible assets and goodwill	18	17,309,689	10,286,373
<b>Total non-current assets</b>		<b>45,472,437</b>	<b>26,131,241</b>

<b>Total assets</b>	<b>52,307,668</b>	<b>29,696,348</b>
---------------------	-------------------	-------------------

The accompanying notes are an integral part of these consolidated financial statements

F-7

**Table of Contents****Cosan Limited****Consolidated statements of financial position***(In thousands of Brazilian Reais - R\$)*

	Note	December 31, 2015	December 31, 2014
<b>Liabilities</b>			
Loans, borrowings and debentures	19	2,775,510	1,056,353
Leases	20	539,615	
Advances on real estate credits		88,089	
Derivative financial instruments	34	812	13,803
Trade payables	23	1,963,981	1,112,459
Employee benefits payable		256,279	120,416
Income tax payable		59,620	30,905
Other taxes payable	24	153,540	307,741
Leases and concessions	21	20,205	
Dividends payable		39,934	33,354
Payables to related parties	13	204,080	137,441
Deferred revenue		110,517	
Other financial liabilities		236,698	
Other current liabilities		473,753	158,471
<b>Total current liabilities</b>		<b>6,922,633</b>	<b>2,970,943</b>
Loans, borrowings and debentures	19	16,053,693	7,446,287
Leases	20	1,202,086	
Advances on real estate credits		196,917	
Derivative financial instruments	34	741,686	319,632
Trade payables	23	1,031	
Other taxes payable	24	51,327	334,565
Provision for legal proceedings	26	1,193,931	657,779
Leases and concessions	21	2,204,039	
Post-employment benefits	35	344,447	301,850
Deferred tax liabilities	25	4,179,564	1,739,274
Preferred shareholders payable in subsidiaries	27	2,042,878	1,926,888
Deferred revenue		95,730	
Other non-current liabilities		723,034	509,823
<b>Total non-current liabilities</b>		<b>29,030,363</b>	<b>13,236,098</b>

<b>Total liabilities</b>		<b>35,952,996</b>	<b>16,207,041</b>
Shareholders' equity	28		
Share capital		5,328	5,328
Additional paid in capital		4,006,562	3,887,109
Other comprehensive loss		(478,207)	(165,618)
Retained earnings		2,483,283	2,117,739
<b>Equity attributable to owners of the parent</b>		<b>6,016,966</b>	<b>5,844,558</b>
<b>Non-controlling interests</b>		<b>10,337,706</b>	<b>7,644,749</b>
<b>Total shareholders' equity</b>		<b>16,354,672</b>	<b>13,489,307</b>
<b>Total shareholders' equity and liabilities</b>		<b>52,307,668</b>	<b>29,696,348</b>

The accompanying notes are an integral part of these consolidated financial statements

**Table of Contents****Cosan Limited****Consolidated statements of profit or loss and other comprehensive income***(In thousands of Brazilian Reais R\$, except earnings per share)*

	Note	Twelve months ended December 31, 2015	Twelve months ended December 31, 2014	Nine months ended December 31, 2013
Net sales	30	12,458,251	9,062,304	6,878,214
Cost of sales	31	(8,663,635)	(6,413,720)	(4,878,229)
<b>Gross profit</b>		<b>3,794,616</b>	<b>2,648,584</b>	<b>1,999,985</b>
Selling expenses	31	(900,728)	(881,543)	(603,965)
General and administrative expenses	31	(939,638)	(668,613)	(466,933)
Other income (expense), net	33	301,062	(21,240)	76,272
<b>Operating expense</b>		<b>(1,539,304)</b>	<b>(1,571,396)</b>	<b>(994,626)</b>
<b>Income before equity in earnings of investees and financial results</b>		<b>2,255,312</b>	<b>1,077,188</b>	<b>1,005,359</b>
<b>Equity in earnings of investees</b>				
Equity in earnings of associates	14	7,978	3,540	5,497
Equity in earnings of joint ventures	15	775,566	588,428	242,036
		<b>783,544</b>	<b>591,968</b>	<b>247,533</b>
<b>Financial results</b>	32			
Finance expense		(2,629,440)	(1,060,802)	(804,606)
Finance income		588,475	217,112	179,904
Foreign exchange losses, net		(746,058)	(300,521)	(324,495)
Derivatives		622,295	161,363	235,485
		<b>(2,164,728)</b>	<b>(982,848)</b>	<b>(713,712)</b>
<b>Profit before taxes</b>		<b>874,128</b>	<b>686,308</b>	<b>539,180</b>
<b>Income tax (expense) benefit</b>	25			
Current		(176,477)	(156,502)	(129,976)
Deferred		188,611	112,673	90,782

		<b>12,134</b>	<b>(43,829)</b>	<b>(39,194)</b>
<b>Profit for the year</b>		<b>886,262</b>	<b>642,479</b>	<b>499,986</b>
<b>Other comprehensive income (loss)</b>	28			
Items that will not be reclassified to profit or loss:				
Actuarial (loss) gain on defined benefit plan		(28,897)	46,988	42,438
Taxes on items that will not be reclassified to profit or loss		9,825	(15,976)	(14,429)
		(19,072)	31,012	28,009

F-9

**Table of Contents****Cosan Limited****Consolidated statements of profit or loss and other comprehensive income***(In thousands of Brazilian Reais R\$, except earnings per share)*

<b>Items that may be reclassified to profit or loss:</b>							
Foreign currency translation effect			(169,904)		(75,408)		(42,891)
Loss on cash flow hedge in joint ventures and subsidiary			(224,874)		(53,958)		(6,426)
Changes in fair value of available for sale securities			12,447		9,110		13,753
Taxes on items that may be reclassified to profit or loss			(4,563)		(3,097)		(4,676)
			(386,894)		(123,353)		(40,240)
<b>Total other comprehensive loss, net of tax</b>			<b>(405,966)</b>		<b>(92,341)</b>		<b>(12,231)</b>
<b>Total comprehensive income</b>			<b>480,296</b>		<b>550,138</b>		<b>487,755</b>
<b>Net income attributable to:</b>							
Owners of the Parent			459,790		171,006		122,618
Non-controlling interests			426,472		471,473		377,368
<b>Total comprehensive income attributable to:</b>							
Owners of the Parent			147,201		90,275		96,639
Non-controlling interests			333,095		459,863		391,116
Basic earnings per share from continuing operations	29	R\$	1.74	R\$	0.65	R\$	0.46
Diluted earnings per share from continuing operations	29	R\$	1.68	R\$	0.58	R\$	0.40

The accompanying notes are an integral part of these consolidated financial statements

**Table of Contents****Cosan Limited****Consolidated statements of changes in equity***(In thousands of Brazilian Reais - R\$)*

	Share capital	Capital reserve	Other comprehensive income	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
		Additional paid in capital					
<b>At April 1, 2013</b>	<b>5,328</b>	<b>3,856,849</b>	<b>(58,908)</b>	<b>2,194,051</b>	<b>5,997,320</b>	<b>7,208,701</b>	<b>13,206,021</b>
Profit for the nine-month period				122,618	122,618	377,368	499,986
Other comprehensive income:							
Foreign currency translation effects			(34,984)		(34,984)	(7,907)	(42,891)
Loss on cash flow hedge in joint ventures			(4,004)		(4,004)	(2,422)	(6,426)
Actuarial gain on defined benefit plan			11,334		11,334	16,675	28,009
Changes in fair value of available for sale securities			1,675		1,675	7,402	9,077
Total comprehensive income for the nine months			(25,979)	122,618	96,639	391,116	487,755
Contributions by and distributions to owners of the Parent:							
Share options exercised Subsidiaries		10,120			10,120	6,123	16,243
Dividends non-controlling interests		889			889	(589)	300
Share-based compensation Subsidiaries		4,109			4,109	2,486	6,595
Dividends				(179,694)	(179,694)	(148,586)	(328,280)
		15,118		(179,694)	(164,576)	(140,566)	(305,142)



Total contributions by and  
distributions to owners of  
the Parent

Transactions with owners of the Parent:							
Acquisition of treasury shares		(43,412)		(43,412)	(26,268)		(69,680)
Unclaimed dividends		303		303	507		810
Total transactions with owners of the Parent		(43,109)		(43,109)	(25,761)		(68,870)
<b>At December 31, 2013</b>	<b>5,328</b>	<b>3,828,858</b>	<b>(84,887)</b>	<b>2,136,975</b>	<b>5,886,274</b>	<b>7,433,490</b>	<b>13,319,764</b>

The accompanying notes are an integral part of these consolidated financial statements

**Table of Contents****Cosan Limited****Consolidated statements of changes in equity***(In thousands of Brazilian Reais - R\$)*

	Capital reserve		Other comprehensive income	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Share capital	Additional paid in capital					
<b>At January 1, 2014</b>	<b>5,328</b>	<b>3,828,858</b>	<b>(84,887)</b>	<b>2,136,975</b>	<b>5,886,274</b>	<b>7,433,490</b>	<b>13,319,764</b>
Profit for the year				171,006	171,006	471,473	642,479
Other comprehensive income:							
Foreign currency translation effects			(66,653)		(66,653)	(8,755)	(75,408)
Loss on cash flow hedge in joint ventures and subsidiary			(33,687)		(33,687)	(20,271)	(53,958)
Actuarial gain on defined benefit plan			18,285		18,285	12,727	31,012
Changes in fair value of available for sale securities			1,324		1,324	4,689	6,013
Total comprehensive income for the year			(80,731)	171,006	90,275	459,863	550,138
Contributions by and distributions to owners of the Parent:							
Share options exercised Subsidiaries		28,436			28,436	17,111	45,547
Dividends non-controlling interests		3,411			3,411	857	4,268
Share-based compensation Subsidiaries		8,073			8,073	4,851	12,924
Dividends				(190,242)	(190,242)	(255,293)	(445,535)

Total contributions by and distributions to owners of the Parent	39,920		(190,242)	(150,322)	(232,474)	(382,796)	
<b>Transactions with owners of the Parent:</b>							
Acquisition of non-controlling interest	18,331			18,331	(16,130)	2,201	
<b>Total transactions with owners of the Parent</b>	<b>18,331</b>			<b>18,331</b>	<b>(16,130)</b>	<b>2,201</b>	
<b>At December 31, 2014</b>	<b>5,328</b>	<b>3,887,109</b>	<b>(165,618)</b>	<b>2,117,739</b>	<b>5,844,558</b>	<b>7,644,749</b>	<b>13,489,307</b>

The accompanying notes are an integral part of these consolidated financial statements

**Table of Contents****Cosan Limited****Consolidated statements of changes in equity***(In thousands of Brazilian Reais - R\$)*

	Capital reserve				Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Share capital	Additional paid in capital	Other comprehensive income	Retained earnings			
<b>At January 1, 2015</b>	<b>5,328</b>	<b>3,887,109</b>	<b>(165,618)</b>	<b>2,117,739</b>	<b>5,844,558</b>	<b>7,644,749</b>	<b>13,489,307</b>
Profit for the year				459,790	459,790	426,472	886,262
Other comprehensive income:							
Foreign currency translation effects			(160,956)		(160,956)	(8,948)	(169,904)
Loss on cash flow hedge in joint ventures and subsidiary			(140,777)		(140,777)	(84,428)	(225,205)
Actuarial loss on defined benefit plan			(12,192)		(12,192)	(6,880)	(19,072)
Changes in fair value of available for sale securities			1,336		1,336	6,879	8,215
Total comprehensive income for the year			(312,589)	459,790	147,201	333,095	480,296
Contributions by and distributions to owners of the Parent:							
Dividends non-controlling interests		(3,847)			(3,847)	3,847	
Share-based compensation Subsidiaries		7,628			7,628	5,033	12,661
Dividends				(94,246)	(94,246)	(437,256)	(531,502)
Total contributions by and distributions to owners of		3,781		(94,246)	(90,465)	(428,376)	(518,841)

## the Parent

Transactions with owners  
of the Parent:

Acquisition of non-controlling interest	636	636	(10,838)	(10,202)
Business combination ALL	118,937	118,937	2,820,416	2,939,353
Share buy-back costs Rumo	(3,901)	(3,901)	(21,340)	(25,241)

Total transactions with owners of the Parent	115,672	115,672	2,788,238	2,903,910
---	---------	---------	-----------	-----------

<b>At December 31, 2015</b>	<b>5,328</b>	<b>4,006,562</b>	<b>(478,207)</b>	<b>2,483,283</b>	<b>6,016,966</b>	<b>10,337,706</b>	<b>16,354,672</b>
-----------------------------	--------------	------------------	------------------	------------------	------------------	-------------------	-------------------

The accompanying notes are an integral part of these consolidated financial statements

**Table of Contents****Cosan Limited****Consolidated statements of cash flows***(In thousands of Brazilian Reais - R\$)*

	Note	Twelve months ended December 31, 2015	Twelve months ended December 31, 2014	Nine months ended December 31, 2013
<b>Cash flows from operating activities</b>				
Profit before taxes		874,128	686,308	539,180
Adjustments for:				
Depreciation and amortization	17/18	1,178,836	679,101	439,144
Amortization of concession rights		124,376		
Equity in earnings of associates	14	(7,978)	(3,540)	(5,497)
Equity in earnings of joint ventures	15	(775,566)	(588,428)	(242,036)
Loss on disposal of assets		22,424	9,958	6,922
Share-based compensation expense	13	12,661	12,924	6,595
Change in fair value of investment property	16/33	(51,073)	(131,697)	(121,543)
Provisions for legal proceedings	33	58,956	51,347	80,944
Indexation charges, interest and exchange gains/losses, net		2,394,013	1,086,158	825,774
Gain on compensation claims		(297,203)		
Other		116,306	42,557	40,167
		3,649,880	1,844,688	1,569,650
Changes in:				
Trade receivables		66,858	(268,813)	(254,236)
Inventories		(200,034)	(40,321)	(28,324)
Recoverable taxes		(155,567)	51,013	(13,167)
Related parties		98,555	(112,251)	(8,519)
Trade payables		283,167	241,827	55,728
Other financial liabilities		63,152		
Employee benefits		(71,931)	(58,098)	(14,216)
Provisions for legal proceedings		(36,394)	(50,136)	(107,484)
Judicial deposits		(14,683)	(3,723)	(8,142)
Post-employment benefits		(29,312)	(14,002)	(10,222)
Income and other taxes		(69,779)	(458,979)	(156,476)
Other assets and liabilities, net		(233,350)	(14,055)	105,658

		(299,317)	(727,538)	(439,400)
<b>Net cash generated by operating activities</b>		<b>3,350,563</b>	<b>1,117,150</b>	<b>1,130,250</b>
<b>Cash flows from investing activities</b>				
Capital contribution in associates		(82,765)	(46,259)	(79,594)
Investment securities		208,775		
Restricted cash		(26,565)		18,220
Net cash acquired in business combination	5	103,044		
Dividends received from associates		8,515	3,118	3,684
Dividends received from joint ventures		671,351	705,072	406,424
Acquisition of property, plant and equipment, intangible assets and investments, net		(2,012,197)	(1,063,412)	(976,119)

F-14

**Table of Contents****Cosan Limited****Consolidated statements of cash flows***(In thousands of Brazilian Reais - R\$)*

Proceeds from sale of property, plant and equipment, intangibles and investments	8,412	1,196	65,350
Proceeds from sale of discontinued operation	118,362	68,633	57,175
<b>Net cash used in investing activities</b>	<b>(1,003,068)</b>	<b>(331,652)</b>	<b>(504,860)</b>
<b>Cash flows from financing activities</b>			
Loans, borrowings and debentures raised	5,201,072	1,720,385	1,072,339
Payment of loans, borrowings and debentures			
Principal	(3,901,237)	(2,905,983)	(1,083,944)
Interest	(1,195,814)	(725,309)	(376,526)
Payment of leases			
Principal	(289,606)		
Interest	(166,760)		
Advances on real estate credits	(99,381)		
Derivative financial instruments	581,753	(84,951)	82,621
Share capital paid in preferred shares		1,946,736	
Dividends paid	(656,669)	(630,233)	(314,446)
Treasury shares	(12,186)		(69,659)
Related parties	(3,806)	(1,643)	
Proceeds from exercise of share options		45,547	16,243
<b>Net cash used in financing activities</b>	<b>(542,634)</b>	<b>(635,451)</b>	<b>(673,372)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,804,860</b>	<b>150,047</b>	<b>(47,982)</b>
Cash and cash equivalents at beginning of the year	1,649,340	1,509,565	1,544,072
Effects of exchange rate changes on cash held	51,624	(10,272)	13,475
<b>Cash and cash equivalents at ended of the year</b>	<b>3,505,824</b>	<b>1,649,340</b>	<b>1,509,565</b>
<b>Supplemental cash flow information:</b>			
Income taxes paid	109,875	157,285	129,539
The accompanying notes are an integral part of these consolidated financial statements			





**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)*

**1 Operations**

Cosan Limited ( Cosan ) was incorporated in Bermuda on April 30, 2007. Cosan's class A common shares are traded on the New York Stock Exchange (NYSE) (ticker CZZ). The BDRs (Brazilian Depositary Receipts) representing Cosan's class A common shares are listed on the Brazilian Stock Exchange (BM&FBovespa) (ticker CZLT33). Mr. Rubens Ometto Silveira Mello is the ultimate controlling shareholder of Cosan. Cosan controls its subsidiaries Cosan S.A. Indústria e Comércio ( Cosan S.A. ) and Cosan Logística S.A. ( Cosan Logística ) through a 62.51% and 63.27% interest, respectively. Cosan, Cosan S.A., Cosan Logística and its subsidiaries are collectively referred to as the Company .

The Company's primary activities are in the following business segments: (i) Piped natural gas distribution to part of the State of São Paulo through its subsidiary Companhia de Gás de São Paulo – COMGÁS ( COMGÁS ); (ii) Logistics services including transportation, port loading and storage of sugar, leasing or lending of locomotives, wagons and other railway equipment, through its indirect subsidiaries Rumo Logística Operadora Multimodal S.A. ( Rumo ) and América Latina Logística S.A. ( ALL ), logistic segment ( Logistic ); (iii) Purchase, sale and leasing of agricultural land through its subsidiaries, Radar Propriedades Agrícolas S.A. and Radar II Propriedades Agrícolas S.A. ( Radar ); (iv) Production and distribution of lubricants, through its indirect subsidiaries Cosan Lubrificantes e Especialidades S.A. ( CLE ) and Comma Oil & Chemicals Ltd. ( Comma ), under the Mobil licensed trademark in Brazil, Bolivia, Uruguay and Paraguay, in addition to the European and Asian market using the Comma brand and corporate activities ( Lubricants ); and (v) other investments, in addition to the corporate structures of the Company ( Cosan's other business ).

The Company also holds interests in two joint ventures ( JVs ): (i) Raízen Combustíveis S.A. ( Raízen Combustíveis ), a fuel distribution business, and (ii) Raízen Energia S.A. ( Raízen Energia ), which operates in the production and marketing of sugar, ethanol and energy cogeneration, produced from sugar cane bagasse.

The Annual General Shareholders' Meeting held on July 31, 2013, approved a fiscal year end change from March 31st to December 31st. This was driven by changes in the Company's investment portfolio, in which other businesses that do not use the harvest year (March 31) have become more significant. With this change, the Company's fiscal year begins on January 1st, and ends on December 31st of each year. Accordingly, the consolidated financial statements for the nine months ended December 31, 2013 (transition period) are not comparable.

On December 31, 2015, Cosan Logística had a negative consolidated working capital of R\$ 2,002,026. Management has been working on actions to mitigate any significant uncertainty over the Cosan Logística's ability to continue operating in the foreseeable future, which includes a Company commitment to provide up to R\$ 750,000 in cash either as debt or equity financing.

The subsidiary Cosan S.A. and Cosan Logística are part of an agreement with the non-controlling interest holder of Rumo. This agreement provides the non-controlling interest holder the right to substitute its shares in Rumo for a fixed number of shares to be issued by Cosan S.A. and Cosan Logística. Upon completion of the transaction no impacts on the consolidated financial statements of the Company were identified.

## **Table of Contents**

### **Cosan Limited**

#### **Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

## **2 Basis of preparation**

### ***2.1 Statement of compliance***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements were authorized for issue by the Board of Directors on February 16, 2016.

### ***2.2 Functional and presentation currency***

The consolidated financial statements are presented in Brazilian Reais. However, the functional currency of Cosan Limited is the U.S. Dollar (US\$). The Brazilian Real is the functional currency of Cosan S.A., Cosan Logística, its subsidiaries and joint ventures, located in Brazil, as it is the currency of the primary economic environment in which they operate, generate and expend cash. The main functional currency for the subsidiaries located outside Brazil is U.S. Dollar or the Pound Sterling.

### ***2.3 Use of judgments and estimates***

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses at the end of the reporting period. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments, assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

#### **Notes 17 and 18 Property, plant and equipment and intangible assets**

The Company performs annually a review of impairment indicators for intangible assets with useful lives and property, plant and equipment. Also, an impairment test is undertaken for goodwill and intangible assets with indefinite useful lives. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The key assumptions

used to determine the recoverable amount of the different cash generating units to which goodwill is allocated are explained in Note 18.

The subsidiary COMGÁS has an agreement for the public concession of gas distribution service in accordance to which the Conceding Authority controls what services must be rendered and what prices will be applied, as well as included significant interest in the infrastructure at the end of the concession. This concession agreement represents the right to charge from customers for the supply of gas during the effective period of the agreement. Therefore, the Company recognizes this right as intangible assets.

Thus, the infrastructure construction necessary for gas distribution is considered a service to the Grantor and the related revenue is recognized at fair value. Financing costs directly related to construction are also capitalized.

The Company does not recognize a margin on the infrastructure construction, since such margin is mainly linked to the services contracted from third-parties at amounts which reflect the fair value.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

Subject to approval of the Granting Authority, the Company may request only once the extension of the distribution services for another 20 years. When the concession is terminated, the assets linked to the rendering of gas distribution services will be returned to the Granting Authority, and the Company will be entitled to receive an indemnity to be determined based on assessments and evaluations considering the book values to be calculated at the time. Currently the figures for compensation are not predetermined or determinable, which is why the Company did not apply the bifurcated model for the accounting of financial assets.

The amortization of intangible assets reflects the pattern expected for the utilization of the future economic benefits by the Company, which corresponds to the useful lives of the assets comprising the infrastructure consonant to the São Paulo State Sanitation and Energy Regulatory Agency ( ARSESP ) provisions, as disclosed in Note 18.

The amortization of the intangible assets is discontinued when the related asset is fully used or written-off, and no longer is included in the calculation basis of the tariff for the rendering of the concession services, whichever occurs first.

The subsidiary Rumo has a concession rights generated in the business combination of ALL, which was fully allocated to ALL Malha Norte concession and amortized on the straight-line method based on estimated useful lives of intangible assets, from the date on which these are available for use.

**Note 20 Operating lease commitments**

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

**Note 25 Income taxes and social contribution**

A deferred tax asset is recognized for loss carry forwards to the extent that it is probable that future taxable income will be generated to realize such losses. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and the level of future taxable income together with future tax planning strategies.

**Other non-current asset**

The Company is active part in lawsuits filed against the Federal Government, claiming appropriate compensation arising from the differences in sugar and ethanol prices. A compensation action is recognized when it appeared certain that will be an inflow of economic benefits. The compensation claims are recorded in **Other non-current assets** in the amounts of R\$ 830,461 and R\$ 460,103 as at December 31, 2015 and 2014, respectively (Note 26).

According to recent court decisions during the year, the Company recognized an asset in the amount of R\$ 290,180 (net lawyer fees) related to another action recognized in **Other operating income (expense), net**, Note 33.

The Company has additional compensation claims, which are not recognized in these consolidated financial statements, for not having achieved the above criteria, representing still contingent assets.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

**Note 16 Fair value of investment properties**

The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. The Company engaged an independent valuation specialist to assess fair value as at December 31, 2015. For investment properties, a valuation methodology based on direct comparisons of market information (Level 2), such as market research, homogenization of values, prices, recent sales, distances, facilities, access to land, topography and soil, land use (culture), rainfall level, among others.

**Note 34 Fair value of derivatives and other financial instruments**

When the fair value of financial assets and liabilities cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in determining fair values. Judgment is required in the determination of inputs such as liquidity risk, credit risk and volatility. Changes in these variables could affect the reported fair value of financial instruments.

**Note 35 Post-employment benefit**

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

**Note 36 Share-based payment**

The Company measures employees' share based compensation cost by reference to the fair value of the shares at the grant date. The estimation of fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the plan. This estimate also requires determining the most appropriate inputs to the valuation model including the assumption of the expected life of the stock option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 36.

**Note 26 Provisions for legal proceedings**



Provisions for legal proceedings are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The assessment of probability loss includes the available evidence, hierarchy of laws, jurisprudence, the most recent court decisions and relevance in the legal system, as well as the opinion of outside counsel. Provisions are reviewed and adjusted according to circumstances, such as limitation period, conclusions of tax inspections or additional exposures identified based on new matters or court decisions.

Provisions for legal proceedings resulting from business combinations are estimated at fair value.

## **Table of Contents**

### **Cosan Limited**

#### **Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

#### **Note 15 Investment in joint ventures**

The Company has a 50% interest in a joint agreement. The joint venture agreements require unanimous consent from all parties for all relevant activities.

The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint ventures and the Company recognizes its interest in the joint ventures using the equity method as described in Note 15.

#### **Measurement of fair values**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data when available. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

#### ***2.4 Basis of measurement***

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

derivative financial instruments are measured at fair value;

derivative financial instruments at fair value through profit or loss;

available-for-sale financial assets are measured at fair value;

contingent consideration assumed in a business combination;

investment properties are measured at fair value; and

employee s defined benefit obligations are presented at the present value of the actuarial obligation net of the fair value of plan assets (Note 35).

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

**3 Significant accounting policies**

The accounting policies set out below have been applied consistently by the Company to all periods presented.

**3.1 Basis of consolidation**

The consolidated financial statements include the accounts of Cosan and its subsidiaries. Cosan's subsidiaries are listed below:

	December 31, 2015	December 31, 2014
<b>Directly owned subsidiaries</b>		
Cosan Logística S.A. <sup>(i)</sup>	63.27%	62.51%
Cosan S.A. Indústria e Comércio	62.51%	62.51%
<b>Interest of Cosan S.A. in its subsidiaries</b>		
Águas da Ponte Alta S.A.	65.00%	65.00%
Bioinvestments Negócios e Participações S.A.	65.00%	65.00%
Comma Oil Chemicals Limited	100.00%	100.00%
Companhia de Gás de São Paulo COMGÁS	61.33%	60.69%
Cosan Biomassa S.A.	100.00%	100.00%
Cosan Cayman II Limited	100.00%	100.00%
Cosan Global Limited	100.00%	100.00%
Cosan Investimentos e Participações S.A.	100.00%	100.00%
Cosan Lubes Investments Limited	100.00%	100.00%
Cosan Lubrificantes e Especialidades S.A.	100.00%	100.00%
Cosan Luxembourg S.A.	100.00%	100.00%
Cosan Overseas Limited	100.00%	100.00%
Cosan Paraguay S.A.	100.00%	100.00%
Cosan US, Inc.	100.00%	100.00%
Ilha Terminal Distribuição de Produto Químicos Ltda.	100.00%	
Nova Agrícola Ponte Alta S.A.	29.50%	29.50%
Nova Amaralina S.A. Propriedades Agrícolas	29.50%	29.50%
Nova Santa Barbara Agrícola S.A.	29.50%	29.50%
Pasadena Empreendimentos e Participações S.A.	100.00%	100.00%
Proud Participações S.A.	65.00%	65.00%
Radar II Propriedades Agrícolas S.A.	65.00%	65.00%

Edgar Filing: Cosan Ltd. - Form 20-F

Radar Propriedades Agrícolas S.A.	29.50%	29.50%
Terras da Ponte Alta S.A.	29.50%	29.50%
Vale da Ponte Alta S.A.	65.00%	65.00%
Zip Lube S.A.	100.00%	100.00%
<b>Interest of Cosan</b>		
<b>Logística S.A. in its subsidiaries</b>		
Rumo Logística Operadora Multimodal S.A.	26.26%	75.00%
Logispot Armazéns Gerais S.A.	13.39%	38.25%
Rumo Um S.A.		75.00%
Rumo Dois S.A.		75.00%
ALL América Latina Logística S.A.	26.26%	
ALL Intermodal S.A.	26.26%	
ALL Malha Oeste S.A.	26.26%	
ALL Malha Paulista S.A.	26.26%	

F-21

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

ALL Malha Sul S.A.	26.26%
ALL Malha Norte S.A.	26.06%
ALL Participações S.A.	26.26%
ALL Armazéns Gerais Ltda.	26.26%
Portofer Ltda.	26.26%
Boswells S.A.	26.26%
Brado Holding S.A.	26.26%
Brado Logística e Participações S.A.	16.34%
Brado Logística S.A.	16.34%
ALL Serviços Ltda.	26.26%
ALL Equipamentos Ltda.	26.26%
ALL Argentina S.A.	23.89%
ALL Mesopotâmica S.A.	18.53%
ALL Central S.A.	19.31%
Paranaguá S.A.	26.22%
ALL Rail Management Ltda.	13.13%
PGT S.A.	26.26%

(i) Change in the ownership interest reflects the buy-back program of its common shares, as per the press release issued on April 7, 2015.

**a) Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if related to the issue of debt or equity.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

**b) Non-controlling interests**

For each business combination, the Company elects to measure any non-controlling interests in the acquiree either:

at fair value; or

at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners.

**c) Subsidiaries**

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date of acquisition of control, and continue to be consolidated until the date that control ceases to exist. They are deconsolidated from the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as that of the parent company, using consistent accounting policies.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

**d) Investments in associates (equity method investees)**

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for under the equity method and are recognized initially at cost. The cost of the investment includes transaction costs.

Under the equity method of accounting, the share attributable to the Company of the profit or loss for the period of such investments is accounted for in the statement of profit or loss, in *Equity in investees* . Unrealized gains and losses arising on transactions between the Company and the investees are eliminated based on the percentage interest held in such investees. The other comprehensive income of subsidiaries, associates and jointly controlled entities is recorded directly in the Company's shareholders' equity, in *Other comprehensive income* .

**e) Investments in joint ventures (equity method investees)**

The Company has interests in joint ventures, in which contractual arrangement establishes joint control over the voting and economic activities of the entity. The contractual arrangements require unanimous agreement for financial and operating decisions among the ventures. The Company recognizes its interest in the joint ventures using the equity method (Note 15).

**f) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are similarly eliminated, but only to the extent that there is no evidence of impairment.

**3.2 Foreign currency**

**a) Foreign currency transactions**



Transactions in foreign currencies are translated to the respective functional currencies of the each subsidiary using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency using the exchange rate at the reporting date.

**b) Foreign operations**

The assets and liabilities derived from foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Brazilian Reais using the exchange rates at the reporting date. Income and expenses of foreign operations are translated to Brazilian Reais using the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

---

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais - R\$, unless otherwise stated)*

**c) Translation of subsidiaries and associates financial statements**

These consolidated financial statements have been translated to the Brazilian Real using the following criteria:

assets and liabilities have been translated using the exchange rate at the balance sheet date;

statement of profit or loss, comprehensive income and statement of cash flows have been translated using the monthly average exchange rate; and

shareholders' equity has been translated using the historical exchange rate.

Translation effects have been recognized in shareholders' equity in Cumulative translation adjustment .

The consolidated financial statements of each subsidiary included in these consolidated financial statements and equity method investments are prepared based on their respective functional currencies. For subsidiaries whose functional currency is a currency other than the Brazilian Real, asset and liability accounts are translated into the Company's reporting currency using exchange rates in effect at the date of the statement of financial position, and income and expense items are translated using monthly average exchange rates and shareholders' equity has been translated using the historical exchange rate. The resulting translation adjustments are reported in a separate component of shareholders' equity, as cumulative translation adjustment.

The exchange rate of the Brazilian Real (R\$) to the U.S. Dollar (US\$) was R\$ 3.9048 at December 31, 2015, R\$ 2.6562 at December 31, 2014 and R\$ 2.3426 at December 31, 2013.

**3.3 Financial instruments**

**a) Non-derivative financial assets**

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

**(i) Financial assets at fair value through profit or loss**

A financial asset is classified at fair value through profit or loss if it is classified as held-for trading or is designated as such on initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss.

Financial assets classified as held-for-trading comprise short-term sovereign debt securities actively managed by the Company's treasury department to address short-term liquidity needs.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

**(ii) Held-to-maturity financial assets**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the intention and ability to hold them to maturity. Interest, indexation charges/credits, foreign exchange gain/losses, less impairment losses, if any, are recognized in income when incurred, as financial income/expense.

Held-to-maturity financial assets comprise debentures. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost.

**(iii) Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, restricted cash, trade and other receivables.

**(iv) Restricted cash**

Restricted cash comprises investments that are linked to the Company's loan and escrow for security agreement.

**(v) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short-term investments with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

**(vi) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, the financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency gain/losses on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)*

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

The rights to receive cash flows from the asset have expired; or

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**b) Non-derivative financial liabilities**

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities as other financial liabilities. Such financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities comprise loans and borrowings, debt securities issued (including certain preference shares), bank overdrafts, and trade and other payables.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

**c) Share capital**

**Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income taxes relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12.

**Preference shares**

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Company's equity instruments. Discretionary dividends thereon are recognized as equity distributions on approval by the Company's shareholders.

Mandatory minimum dividends as defined in the bylaws are recognized as liabilities.

**d) Derivative financial instruments, including hedge accounting**

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if:

The economic characteristics and risks of the host contract and the embedded derivative are not closely related;

A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

The combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as a hedging instrument, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and



whether the actual results of each hedge are within a range of 80% – 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss.

Derivatives are initially recognized at fair value; any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

**(i) Cash flow hedges**

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

## **Table of Contents**

### **Cosan Limited**

#### **Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

##### **(ii) Fair value hedge**

Changes in fair value of derivatives, that are designated and qualify as fair value hedge, are recorded in the statement of profit or loss, with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk. The Company applies hedge accounting for fair value hedges to protect itself against the risk of changes in interest rates and foreign exchange rates on loans. The gain or loss related to the effective portion of interest rate swaps to protect against fixed rate borrowings is recognized in the statement of profit and loss as Financial expenses . The gain or loss related to the ineffective portion is recognized in the statement of profit or loss as Other gains (losses), net . Changes in fair value of fixed rate borrowings hedged attributable to interest rate risk are recognized in the statement of profit or loss as Financial expenses .

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the method of effective interest rate is used, is amortized to income over the period to maturity.

##### **(iii) Embedded derivatives**

Changes in the fair value of separated embedded derivatives are recognized immediately in profit or loss.

##### **(iv) Other derivative financial instruments**

When a derivative financial instrument is not designated in a hedge relationship and does not qualify for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

### **3.4 Inventory**

Inventory is recorded at the lower of average cost of acquisition or production and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions for slow-moving or obsolete inventory are recorded when deemed necessary by management. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

### **3.5 Non-current assets held for sale**

Assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of their carrying value or fair value less costs to sell. Any loss in the value of a group of assets classified as held for sale is initially allocated to goodwill and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, pension plan assets and investment property. Losses recognized upon classification as held for sale and subsequent gains and losses are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss previously recognized.

### ***3.6 Investment property***

Agricultural land is stated at fair value, with changes in fair value recognized in profit or loss.

Sale of farms are not recognized in profit or loss until (i) the sale is concluded, (ii) the Company determines that sale receipt is probable; (iii) the revenue can be reliably measured, and (iv) the Company has transferred the ownership risks to the buyer, without any continuing involvement. The gain from sale of farms is reported in the statement of profit or loss in Other income (expense), net for the difference between the consideration received and the carrying amount of the farm sold.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

***3.7 Property, plant and equipment***

**a) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of constructed assets includes:

the cost of materials and direct labor;

any other costs directly attributable to bringing the assets to a working condition for their intended use;

an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, when the Company has an obligation to remove the asset or restore the site; and

capitalized borrowing costs.

Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment, calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognized in profit or loss.

**(i) Reclassification to investment property**

When the use of a property changes from held to use to investment property, the property is remeasured at fair value and reclassified as investment property. Any gain or loss arising on this remeasurement is recognized in equity.

**(ii) Subsequent costs**

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

**(iii) Depreciation**

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated on the carrying value of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless it is capitalized as part of the cost of another asset. Assets recognized under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	4.00%
Machinery, equipment and facilities	3% to 10%
Airplanes, vessels and vehicles	10% to 20%
Railcars	2.90%
Locomotives	3.30%
Permanent railways	2% to 9%
Furniture and fixtures	10.00%
Computer equipment	20.00%

Costs of normal periodic maintenance are recorded as expenses when incurred when the components will not improve the production capacity or introduce improvements to the equipment.

Depreciation methods, useful lives and residual values are revised at each reporting date and adjusted if appropriate.

**3.8 Intangible assets and goodwill****a) Goodwill**

Goodwill is measured at cost less accumulated impairment losses. With respect to equity method investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity method investee as a whole.

**b) Other intangible assets**

Other intangible assets that are acquired by the Company and have a finite life are measured at cost less accumulated amortization and any accumulated impairment losses.

**c) Subsequent expenditure**

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

**d) Amortization**

Except for goodwill, intangible assets are amortized on a straight-line basis over their estimated useful lives, from the date that they are available for use or acquired.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**e) Contracts with customers**

Costs incurred on development of gas systems for new clients (including pipelines, valves, and general equipment) are recognized as intangible assets and amortized over the contract period.

---

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

**f) Intangible assets related to the concession rights agreement**

The Company entered into a public concession agreement for the distribution of gas granted by the Conceding Authority. At the end of the concession the Conceding Authority will hold a significant portion of the infrastructure. It also controls what services must be rendered and regulates the prices charged. The concession agreement grants the right to charge customers for the supply of gas during the term of the concession agreement. Therefore, the Company recognizes this right as an intangible asset.

The intangible asset comprises: (i) the concession right recognized upon the business combination of COMGÁS, which is being amortized over the concession period on a straight line basis, considering the extension of the distribution services for another 20 years; and (ii) the acquired or constructed assets underlying the concession necessary for the distribution of gas, which is being depreciated to match the period over which the future economic benefits of the asset are expected to accrue to the Company, or the final term of the concession, whatever occurs first. This period reflects the economic useful lives of each of the underlying assets that comprise the concession. This economic useful life is also used by the regulator, The Natural Gas Agency of the State of São Paulo, to determine the basis for measuring the tariff for rendering the services under the concession.

The concession agreement was signed on May 31, 1999 with an initial term of 30 years. Subject to approval of the Conceding Authority, the Company may request only once the extension of the distribution services for another 20 years. When the concession is terminated, the assets linked to the rendering of gas distribution services will be returned to the Conceding Authority, and the Company will be entitled to receive an indemnity to be determined based on assessments and evaluations considering the book values to be calculated at the time.

The concession contract determines that the tariff charged by COMGÁS be reviewed annually, in May, with the aim to realign the tariff charged to consumers to the cost of the gas and adjust for inflation.

Concession rights generated in the business combination of ALL was fully allocated to the ALL Malha Norte concession and amortized on a straight-line basis.

**3.9 Impairment**

**a) Non-derivative financial assets**

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.



**(i) Financial assets measured at amortized cost**

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognized. If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of profit or loss.

**(ii) Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognized by reclassifying the accumulated losses recorded in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss.

---

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)*

**b) Non-financial assets**

The carrying amounts of the Company's non-financial assets, except investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to Companies of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized for CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss with respect to goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**3.10 Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

As of December 31, 2015 and 2014, the Company's recognized R\$ 217,377 and R\$ 186,649 in Other liabilities and Other non-current liabilities, respectively, in relation to a contingent consideration arrangement arising from the 2008 Lubricants business combination. This contingent consideration is measured at fair value with changes in fair value

recognized in profit or loss. In the year ended December 31, 2015 the Company paid R\$ 66,241 under this earn-out arrangement (R\$ 60,200 in the year ended December 31, 2014).

The consideration is contingent on meeting certain gross revenue and sales volume targets for lubricants products for a 10-year period from 2008.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

**3.11 Employee benefits**

**a) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay these amounts as a result of past services provided by the employee, and the obligation can be estimated reliably.

**b) Share-based payment transactions**

The grant-date fair value of share-based payment awards granted to employees is recognized as an employee compensation expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees with respect to share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to the cash payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized as employee benefit expenses in profit or loss.

**c) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

**d) Defined benefit plans**

The Company is the sponsor of defined benefit pension plans for some of its employees. A defined benefit plan is a post-employment benefit plans other than a defined contribution plan.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)*

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

**e) Other long-term employee benefit**

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date of the financial statements for the high credit quality bonds, and maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

**3.12 Revenue**

**a) Sales of goods**

Revenue from the sale of goods, in the ordinary course of business, is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

**b) Services rendered**

Revenues from services are recognized when the amount of revenue can be measured reliably, when it is probable that the economic benefits associated with the transaction will flow to the Company, when the stage of completion of the transaction at the end of the reporting period can be measured reliably, as well as when its amount and related costs can be measured reliably. Service prices are established based on service orders or contracts. Services for which payment is made in advance are recorded as deferred revenue in other liabilities and recognized in revenue when the services are rendered.

The Company revenue recognizes revenue as follows:

**(i) Billed revenue**

Revenue from gas distribution services is recognized when its amount can be reliably measured, and is recognized in profit or loss when the volumes are delivered to customers.

**(ii) Unbilled revenue**

Unbilled gas refers to the portion of gas supplied for which metering and billing to customers have not yet occurred. This amount is estimated based on the period between measurement and the last day of the month.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

The actual volume billed may be different from estimates. The Company believes that, based on its historical experience, the unbilled estimated amount will not significantly differ from actual amounts.

**(iii) Concession construction revenue**

The construction of the infrastructure necessary for gas distribution is considered a construction service rendered to the Conceding Authority, and the related income is recognized in profit or loss at fair value.

Construction costs are recognized by reference to the stage of completion of the construction activity at the end of the reporting period, and are included in cost of sales.

**c) Deferred revenue**

The Company has deferred revenue consists of advances received from clients seeking investment in fixed assets in return for a rail service contract requiring future performance of services by the Company.

**3.13 Government grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The Company has a grant related to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate.

The Company has a fiscal incentive whose benefit includes a reduction of 75% on income tax based on operation profit beginning in 2008 until 2024.

**3.14 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date.

**a) Leased assets**

Leases of property, plant and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are



accounted for in accordance with the accounting policy applicable to that asset.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Assets held under other leases are classified as operating leases and are not recognized in the Company's statement of financial position.

---

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

**b) Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amounts paid in advance by the Company are recorded as assets and allocated in income linearly during the term of the contract. The expenses incurred during the grace period are recorded in income and maintained as payables, being written off in proportion to the payment of current installments.

***3.15 Finance income and finance expense***

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on hedging instruments that are recognized in profit or loss and reclassifications of net gains previously recognized in other comprehensive income. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance expense comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss and contingent consideration, impairment losses recognized on financial assets (other than trade receivables), losses on hedging instruments that are recognized in profit or loss and reclassifications of net losses previously recognized in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether the net foreign currency fluctuations result in a gain or loss position.

***3.16 Taxes***

Income taxes are comprised of income tax and social contribution at a combined rate of 34%. Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Certain subsidiaries measure income tax and social contribution due under the Brazilian presumed profits regime. The presumed profit came up from a percentage of 32% of operating revenues. Under the aforementioned regime the applicable tax rate is for income tax is 15% over the presumed profit, plus an additional 10% when operating revenues exceed of R\$ 240, and 9% over the presumed profit for social contribution.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

**a) Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

**b) Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and tax loss. Deferred tax is not recognized for:

temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for loss carryforwards, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be generated in the future. Deferred tax assets are reviewed at each reporting date and written off to the extent that it is no longer probable that the related tax benefit will be realized.

**c) Sales taxes**

Net revenue is recognized net of discounts and sales taxes.

**d) Tax exposures**

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

**3.17 Cash flow non-cash transaction**

During the year ended December 31, 2015, the Company made the following transactions not involving cash and therefore is not reflected in the consolidated statement of cash flows:

- (i) Acquisition of net assets of ALL in the amount of R\$2,567,669 through the issuance of equity instruments, except for the cash acquired in the transaction of R\$169,703 (Note 5);
- (ii) Gain on settlement of pre-existing relationship in business combinations in the amount of R\$ 29,838 (Note 5);
- (iii) Non-controlling interest arising from business combinations in the amount of R\$231,681 (Note 5);
- (iv) Rental of locomotives, wagons and other assets through operation accounted characterized as capital leases in the amount of R\$250,954;
- (v) Offset of tax loss (REFIS) carryforwards with financial assets from ExxonMobil in the amount of R\$ 350,301 (Note 12); and
- (vi) Offset of REFIS with a compensation action in the amount R\$ 156,588 (R\$ 404,727 in the year ended December 31, 2014).

**4 New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except the following:

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company has yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

---

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

The Company is currently assessing the potential impacts of adopting IFRS 15.

IFRS 16 Leases was issued on January 13, 2016. It is expected a significant impact on the financial statements of the Company for all leases in which the Company leases should be recognized in the balance sheet. It shall enter into force on January 1, 2019 and supersedes IAS 17 Leases.

There are no other IFRS or IFRIC interpretations that are not yet effective and that are expected to have a significant impact on the Company.

**5 Business combinations**

**ALL América Latina Logística S.A.**

On April 1, 2015, Cosan, through its subsidiary Rumo, acquired 100% of the common shares of ALL and started to consolidate the results of operations of ALL as of that date.

As a result of the acquisition, the Company consolidates its participation strategy in the logistics and infrastructure business in Brazil, by adding approximately 12,000 km of existing rail tracks in ALL concessions.

The acquisition occurred through the replacement of ALL shares with Rumo shares, at the exchange ratio of 2.879303067 registered, book-entry common shares without par value issued by Rumo for each 1 (one) registered, book-entry common share without par value issued by ALL. Therefore, according to such exchange ratio, 1,963,670,770 registered, book-entry common shares without par value were issued by Rumo, representing 65.67% of Rumo's shareholders' equity, attributable to ALL shareholders registered on March 31, 2015, represented by 681,995,165 common shares.

ALL is located in the City of Curitiba, State of Paraná. The Company's main activities are the railroad transportation related activities and the acquisition, leasing or lending of locomotives, wagons and other railway equipment.

ALL operates railroad transportation in the Southern region of Brazil through ALL América Latina Logística Malha Sul S.A. ( ALL Malha Sul ), and in the Mid-West region and State of São Paulo through its subsidiaries ALL América Latina Logística Malha Paulista S.A. ( ALL Malha Paulista ), ALL América Latina Logística Malha Norte S.A. ( ALL Malha Norte ) and ALL América Latina Logística Malha Oeste S.A. ( ALL Malha Oeste ).

**a) Consideration transferred**



The fair value of the ordinary shares issued was based on the listed share price of the ALL (ticker ALL3.SA) as at March 31, 2015 of R\$ 3.97 per share. Additionally, the value was adjusted by the settlement of pre-existing relationship, as follows:

	<b>In thousands of R\$</b>
Equity instruments (681,995,165 common shares)	2,707,534
Settlement of pre-existing relationship	29,838
<b>Total consideration transferred</b>	<b>2,737,372</b>

**(i) Settlement of pre-existing relationship**

In March 2009, Rumo and ALL entered into an operating agreement (pre-existing relationship) for the supply of sugar transport logistics and other grains from the western of the state of São Paulo to the Port of Santos, in which Rumo has port concessions for lifting services.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

According to the terms of the existing agreement, Rumo invested in the construction and improvement of permanent roads under concession of ALL and acquisition of rolling stock for use in the transport of products in the rail network, in order to increase rail freight transport capacity in ALL. In exchange for the Company's investments, the agreement stipulated that ALL should provide a certain capacity of rail transport services, as well as compensate Rumo through the payment of a fee, fixed contractually, per ton of product transported by ALL on the rail network and / or by the use of undercarriage given by Rumo to ALL.

This pre-existing relationship was settled when Rumo acquired ALL. As a result of this settlement, Rumo recorded a gain of R\$ 29,838 in the profit or loss as other operating income.

The fair value of the settlement of pre-existing relationship has been the difference between the value of the investment made by Rumo and the discounted cash flow of the remuneration of such investment, considering the volume and contractually agreed rate.

**b) Identifiable assets acquired and liabilities assumed**

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

<b>Description</b>	
Cash and cash equivalents	169,703
Investment securities	940,689
Trade receivables	382,576
Inventories	79,115
Other credits	1,525,389
Property, plant and equipment	7,206,290
Intangible assets	7,584,648
Loans, borrowings and debentures	(6,639,223)
Leases	(1,857,947)
Advances on real estate credits	(340,255)
Trade payables	(915,213)
Leases and concessions	(1,974,280)
Provision for legal proceedings	(458,575)
Deferred tax liabilities	(1,145,056)
Other liabilities	(1,588,808)

<b>Consolidated net assets</b>	<b>2,969,053</b>
Non-controlling interests	(231,681)
<b>Total identifiable net assets acquired</b>	<b>2,737,372</b>

F-40

---

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

**(i) Measurement of fair value**

The valuation techniques used for measuring the fair value were market prices for similar items when they are available, depreciated replacement cost when appropriate, discounted cash flow, and other.

ALL's operations are subject to specific contractual arrangements. The Company has conducted a preliminary assessment of these contractual arrangements and has recognized a provision amount. The Company will continue to review the matters during the measurement period.

If new information obtained within one year from the date of purchase, on facts and circumstances that existed at the acquisition date, indicate adjustments to the amounts mentioned above, or any additional liability that existed at the acquisition date, the purchase price will be revised. Management expects that only provisions related to previous contractual agreements could still have some kind of impact in relation to this preliminary assessment.

The Company has elected to measure the non-controlling interest on Brado Holding S.A. ( Brado ) indirect subsidiary controlled by ALL based on the proportionate interest in the recognized amount of fair value of identifiable net assets of Brado.

Accounts receivable fair value of R\$ 382,576 is net of an allowance of R\$ 52,453.

The costs related the acquisition were recorded in other operating expenses in the profit and loss in the amount of R\$ R\$ 147,669.

The consolidated statement of profit or loss includes, from the date of acquisition, net sales and net profit of R\$ 3,327,246 and R\$ 119,130, respectively, generated by ALL and its subsidiaries.

If ALL had been consolidated from January 1, 2015, the Company consolidated statement of profit or loss would present net sales of R\$ 13,303,263 and a net profit of R\$ 188,087.

**Ilha Terminal Distribuição de Produtos Químicos Ltda. ( Ilha Terminal )**

On December 1, 2015, Cosan, through its subsidiary CLE, acquired 100% of the common shares of Ilha Terminal for the amount R\$ 66,672 in cash. The preliminary goodwill recognized arising from the acquisition is R\$ 9,335. The amount of assets acquired and liabilities assumed at the date of acquisition totaled R\$ 66,659.

**6 Operating segments**

***Segment information***

The following segment information is used by Cosan's senior management (the Chief Operating Decision Maker) to assess the performance of the operating segments and to make decisions with regards to the allocation of resources. This information is prepared on a basis consistent with the accounting policies used in the preparation of the financial statements. Cosan evaluates the performance of its operating segments based on the measure of Earnings Before Interest Tax, Depreciation and Amortization ( EBITDA ). A reconciliation of EBITDA to profit (loss) is presented below.

F-41

---

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

**Operating segments**

- (i) Raízen Energia: production and marketing of a variety of products derived from sugar cane, including raw sugar (VHP), anhydrous and hydrated ethanol, and activities related to energy cogeneration from sugarcane bagasse. In addition, this segment holds interests in companies engaged in research and development on new technology;
- (ii) Raízen Combustíveis: distribution and marketing of fuels, mainly through a franchised network of service stations under the brand Shell throughout Brazil;
- (iii) COMGÁS: distribution of piped natural gas to part of the State of São Paulo (approximately 180 municipalities, including the region called Greater São Paulo) to customers in the industrial, residential, commercial, automotive, thermo generation and cogeneration sectors;
- (iv) Cosan Logística: logistics services for transport, storage and port loading of commodities, mainly for sugar products, leasing or lending of locomotives, wagons and other railway equipment;
- (v) Radar: management, buying, selling and leasing of agricultural;
- (vi) Lubricants: production and distribution of lubricants under the Mobil brand in Brazil, Bolivia, Uruguay and Paraguay, as well as European and Asian market with a Comma trademark; and
- (vii) Other business: other investments, in addition to the corporate activities of the Company. The other business segment includes the subsidiaries responsible for raising funds for the group.

Although Raízen Energia and Raízen Combustíveis are equity accounted joint-ventures and are no longer proportionally consolidated since adoption of IFRS 11, senior management continues to review segment information. A reconciliation of these segments is presented in the column Deconsolidation IFRS 11 .

The following statement of financial position and profit or loss selected information by segment was prepared on the same basis as the accounting practices used in the preparation of consolidated information:



**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

<b>Twelve months ended December 31, 2015</b>									
	<b>Raízen</b>					<b>Other</b>	<b>Deconsolidated</b>	<b>Segment</b>	<b>Total</b>
	<b>Combustíveis</b>	<b>COMGÁS</b>	<b>Radar</b>	<b>Lubricants</b>	<b>Logistics</b>	<b>business</b>	<b>effects IFRS</b>	<b>elimination</b>	<b>consolidated</b>
							<b>11</b>		
50	61,412,966	6,597,018	102,714	1,751,727	4,037,923	437	(72,493,816)	(31,568)	12,458,251
49	61,412,966	6,597,018	102,714	1,385,191	3,842,124	437	(65,851,115)	(31,568)	11,895,916
01				366,536	195,799		(6,642,701)		562,335
62)	(58,196,255)	(4,580,203)	(17,982)	(1,322,328)	(2,771,881)	(2,809)	67,100,717	31,568	(8,663,635)
88	3,216,711	2,016,815	84,732	429,399	1,266,042	(2,372)	(5,393,099)		3,794,616
15)	(1,188,549)	(627,520)		(291,648)	18,441		1,805,464		(900,727)
48)	(394,570)	(332,764)	(27,971)	(77,666)	(311,291)	(189,946)	913,418		(939,638)
47)	294,784	(7,902)	48,745	2,194	60,298	197,726	(275,637)		301,061
95)	(124,598)	(181,891)	10,494	(109,858)	(1,166,553)	(716,920)	749,293		(2,164,728)
94)	(170,560)	(409,769)	(1,367)	(120,324)	(1,261,452)	(854,862)	1,090,554	18,334	(2,629,440)
46	173,477	247,047	11,861	4,871	164,675	178,355	(823,923)	(18,334)	588,475
77)	(415,983)	126,281		(10,213)	(190,410)	(671,715)	1,447,760		(746,057)
30	288,468	(145,450)		15,808	120,634	631,302	(965,098)		622,294
67)	8,893			(11,597)	11,164	799,947	34,074	(791,536)	7,978
10)	(536,540)	(248,353)	(15,132)	12,691	(35,986)	298,914	579,050		12,134
						775,566			775,566



06	1,276,131	618,385	100,868	(46,485)	(157,885)	1,162,915	(1,587,437)	(791,536)	886,262
06	1,237,984	618,385	100,868	(46,485)	(30,030)	1,162,915	(1,549,290)	(1,345,863)	459,790
	38,147				(127,855)		(38,147)	554,327	426,472
65	579,603	481,287	709	75,076	616,527	4,678	(2,636,968)		1,178,277
76	2,516,872	1,529,916	106,215	125,758	1,661,181	1,585,599	(5,552,748)	(791,536)	4,217,133
72	797,299	521,215	1,926	43,464	1,405,478	42,061	(2,573,671)		2,014,144
06	1,276,131	618,385	100,868	(46,485)	(157,885)	1,162,915	(1,587,437)	(791,536)	886,262
10	536,540	248,353	15,132	(12,691)	35,986	(298,914)	(579,050)		(12,134)
95	124,598	181,891	(10,494)	109,858	1,166,553	716,920	(749,293)		2,164,728
65	579,603	481,287	709	75,076	616,527	4,678	(2,636,968)		1,178,277
76	2,516,872	1,529,916	106,215	125,758	1,661,181	1,585,599	(5,552,748)	(791,536)	4,217,133

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

<b>Twelve months ended December 31, 2014</b>									
Segment	Raízen	COMGÁS	Radar	Lubricants	Logistics	Other business	Deconsolidated effects IFRS 11	Segment elimination	Total consolidated
3,930	55,733,927	6,387,103	157,562	1,602,198	915,441		(64,997,857)		9,062,304
4,437	55,733,927	6,387,103	157,562	1,306,218	769,583		(59,798,364)		8,620,466
9,493				295,980	145,858		(5,199,493)		441,838
5,421	(52,934,222)	(4,494,909)	(60,644)	(1,247,806)	(610,361)		60,669,643		(6,413,720)
3,509	2,799,705	1,892,194	96,918	354,392	305,080		(4,328,214)		2,648,584
3,989	(1,150,516)	(636,316)		(245,227)			1,729,505		(881,543)
3,756	(387,259)	(308,413)	(36,525)	(70,684)	(87,832)	(165,159)	886,015		(668,613)
3,609	338,143	(19,494)	131,593	1,032	7,844	(123,626)	(396,752)	(18,589)	(21,240)
3,317	(125,210)	(193,026)	6,269	21,555	(33,652)	(783,994)	543,527		(982,848)
3,307	(142,839)	(300,573)	(1,104)	22,831	(66,114)	(728,553)	731,146	12,711	(1,060,802)
5,895	104,218	106,554	7,428	1,639	31,150	83,052	(490,113)	(12,711)	217,112
7,928	(71,825)	(139,931)	(55)	(1,183)	1,312	(160,664)	429,753		(300,521)
2,023	(14,764)	140,924		(1,732)		22,171	(127,259)		161,363
3,310	14,902			(7,341)		623,133	23,408	(612,252)	3,540
						588,428			588,428

3,810	(410,560)	(203,810)	(17,629)	(18,850)	(58,343)	254,803	306,750		(43,829)
-------	-----------	-----------	----------	----------	----------	---------	---------	--	----------

<b>5,556</b>	<b>1,079,205</b>	<b>531,135</b>	<b>180,626</b>	<b>34,877</b>	<b>133,097</b>	<b>393,585</b>	<b>(1,235,761)</b>	<b>(630,841)</b>	<b>642,479</b>
--------------	------------------	----------------	----------------	---------------	----------------	----------------	--------------------	------------------	----------------

5,556	1,045,637	531,135	180,626	34,877	104,313	393,585	(1,202,193)	(1,073,530)	171,006
-------	-----------	---------	---------	--------	---------	---------	-------------	-------------	---------

	33,568				28,784		(33,568)	442,689	471,473
--	--------	--	--	--	--------	--	----------	---------	---------

5,866	538,222	506,697	970	71,268	97,244	2,923	(2,505,088)		679,102
-------	---------	---------	-----	--------	--------	-------	-------------	--	---------

7,929	2,153,197	1,434,668	192,956	103,440	322,336	925,699	(4,591,126)	(630,841)	2,348,258
-------	-----------	-----------	---------	---------	---------	---------	-------------	-----------	-----------

3,642	60,425	661,311	1,146	52,178	273,584	75,194	(2,024,067)		1,063,413
-------	--------	---------	-------	--------	---------	--------	-------------	--	-----------

<b>5,556</b>	<b>1,079,205</b>	<b>531,135</b>	<b>180,626</b>	<b>34,877</b>	<b>133,097</b>	<b>393,585</b>	<b>(1,235,761)</b>	<b>(630,841)</b>	<b>642,479</b>
--------------	------------------	----------------	----------------	---------------	----------------	----------------	--------------------	------------------	----------------

3,810)	410,560	203,810	17,629	18,850	58,343	(254,803)	(306,750)		43,829
--------	---------	---------	--------	--------	--------	-----------	-----------	--	--------

3,317	125,210	193,026	(6,269)	(21,555)	33,652	783,994	(543,527)		982,848
-------	---------	---------	---------	----------	--------	---------	-----------	--	---------

5,866	538,222	506,697	970	71,268	97,244	2,923	(2,505,088)		679,102
-------	---------	---------	-----	--------	--------	-------	-------------	--	---------

<b>7,929</b>	<b>2,153,197</b>	<b>1,434,668</b>	<b>192,956</b>	<b>103,440</b>	<b>322,336</b>	<b>925,699</b>	<b>(4,591,126)</b>	<b>(630,841)</b>	<b>2,348,258</b>
--------------	------------------	------------------	----------------	----------------	----------------	----------------	--------------------	------------------	------------------

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

<b>Nine months ended December 31, 2013</b>										
<b>Argia</b>	<b>Raízen Combustíveis</b>	<b>COMGÁS</b>	<b>Radar</b>	<b>Lubricants</b>	<b>Logistics</b>	<b>Other business</b>	<b>Deconsolidated effects IFRS 11</b>	<b>Segment elimination</b>	<b>Total consolidated</b>	<b>6</b>
50,389	37,580,570	4,888,895	54,732	1,185,199	749,350	38	(44,430,959)		6,878,214	6
54,443	37,580,570	4,888,895	54,732	947,274	676,924	38	(40,545,013)		6,567,863	5
35,946				237,925	72,426		(3,885,946)		310,351	
(90,040)	(35,664,555)	(3,524,195)	(6,058)	(900,531)	(447,445)		41,254,595		(4,878,229)	(4)
50,349	1,916,015	1,364,700	48,674	284,668	301,905	38	(3,176,364)		1,999,985	1
(74,116)	(808,095)	(422,416)		(181,549)			1,282,211		(603,965)	
(11,600)	(285,904)	(239,262)	(18,369)	(52,552)	(57,588)	(99,162)	697,504		(466,933)	
(35,209)	292,211	(1,599)	131,191	(5,488)	(14,364)	(33,468)	(257,002)		76,272	
(46,268)	(99,201)	(140,981)	3,096	(9,072)	13,689	(580,444)	745,469		(713,712)	
(46,004)	(63,418)	(163,090)	(668)	(51,689)	(27,975)	(570,192)	409,422	9,008	(804,606)	
(36,230)	69,070	44,659	3,812	23,409	41,292	75,740	(255,300)	(9,008)	179,904	
(70,860)	(181,419)	(162,449)	(48)	17,351	372	(179,721)	552,279		(324,495)	
(15,634)	76,566	139,899		1,857		93,729	39,068		235,485	
(24,075)	4,826		29	(7,812)		593,651	19,249	(580,371)	5,497	
						242,036			242,036	

22,199	(298,084)	(152,740)	(10,230)	(27,176)	(83,167)	234,119	175,885		(39,194)
<b>08,720)</b>	<b>721,768</b>	<b>407,702</b>	<b>154,391</b>	<b>1,019</b>	<b>160,475</b>	<b>356,770</b>	<b>(513,048)</b>	<b>(580,371)</b>	<b>499,986</b>
08,720)	705,038	407,702	154,391	1,019	161,092	356,770	(496,318)	(972,104)	108,870
	16,730				(617)		(16,730)	391,733	391,116
36,600	385,728	322,170	727	55,452	58,955	1,840	(1,772,328)		439,144
01,949	1,504,781	1,023,593	162,252	92,719	288,908	704,935	(3,206,730)	(580,371)	1,692,036
13,389	681,241	677,695	60	81,353	198,047	18,965	(2,194,630)		976,120
08,720)	721,768	407,702	154,391	1,019	160,475	356,770	(513,048)	(580,371)	499,986
22,199)	298,084	152,740	10,230	27,176	83,167	(234,119)	(175,885)		39,194
46,268	99,201	140,981	(3,096)	9,072	(13,689)	580,444	(745,469)		713,712
36,600	385,728	322,170	727	55,452	58,955	1,840	(1,772,328)		439,144
<b>01,949</b>	<b>1,504,781</b>	<b>1,023,593</b>	<b>162,252</b>	<b>92,719</b>	<b>288,908</b>	<b>704,935</b>	<b>(3,206,730)</b>	<b>(580,371)</b>	<b>1,692,036</b>

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

<b>December 31, 2015</b>									
<b>Raízen</b>						<b>Other</b>	<b>Deconsolidated</b>	<b>Segment</b>	<b>Total</b>
<b>Combustíveis</b>	<b>COMGÁS</b>	<b>Radar</b>	<b>Lubricants</b>	<b>Logistics</b>	<b>business</b>		<b>effects IFRS</b>	<b>elimination</b>	<b>consolidated</b>
							<b>11</b>		
5	885,880	1,967,643	1,016	96,907	246,849	1,193,409	(3,881,375)		3,505,824
			241,430		508,268				749,698
2	2,058,601	540,132	38,510	220,417	165,671	248	(2,777,693)		964,978
5	255,665	665,032		12,363	99,863	1,653,038	(1,721,481)		2,430,296
7	1,287,946	134,347		293,916	225,784	2,854	(3,659,933)		656,901
3	1,029,510	132,960	120,615	51,926	364,168	277,394	(2,609,078)	(66,604)	880,459
3	921,891	279,091	51	(135,853)	2,824,311	1,937,122	(4,347,859)	(9,717)	4,895,005
9	248,456			8,453	44,241	11,971,024	(474,126)	(11,839,342)	184,376
						8,329,520			8,329,520
							(2,131,378)		
			2,595,035						2,595,035
7	2,409,555		2,029	243,080	9,404,087	156,691	(11,984,202)		9,805,887
3	4,414,352	8,620,436	1,669	818,362	7,862,420	6,802	(7,675,975)		17,309,689
)	(3,226,447)	(3,823,067)		(512,758)	(8,585,175)	(5,908,203)	14,775,658		(18,829,203)

)	(67,902)			(291)	(1,780)	(740,427)	744,223		(742,498)
)	(937,177)	(1,302,397)	(2,511)	(235,663)	(420,189)	(4,252)	2,063,717		(1,965,012)
)	(83,214)	(65,522)	(5,684)	(15,061)	(149,871)	(20,141)	398,918		(256,279)
)	(968,903)	(103,331)	(35,464)	(135,945)	(1,477,920)	(237,919)	1,889,201	64,528	(1,926,051)
)	(3,129,562)	(1,180,987)	(104,403)	(209,245)	(7,094,274)	(3,754,009)	4,493,648	108,965	(12,233,953)
-	5,098,651	5,864,337	2,852,293	500,608	4,016,453	14,863,151	(16,897,735)	(11,742,170)	16,354,672
4	<b>13,511,856</b>	<b>12,339,641</b>	<b>3,000,355</b>	<b>1,609,571</b>	<b>21,745,662</b>	<b>25,528,102</b>	<b>(41,263,100)</b>	<b>(11,915,663)</b>	<b>52,307,668</b>
7	4,926,655	5,864,337	2,852,293	500,608	1,113,277	14,863,151	(16,726,702)	(19,176,700)	6,016,966
)	171,996				2,903,176		(171,033)	7,434,530	10,337,706
4	<b>5,098,651</b>	<b>5,864,337</b>	<b>2,852,293</b>	<b>500,608</b>	<b>4,016,453</b>	<b>14,863,151</b>	<b>(16,897,735)</b>	<b>(11,742,170)</b>	<b>16,354,672</b>

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

<b>December 31, 2014</b>									
	<b>Raízen Combustíveis</b>	<b>COMGÁS</b>	<b>Radar</b>	<b>Lubricants</b>	<b>Logistics</b>	<b>Other business</b>	<b>Deconsolidated effects IFRS 11</b>	<b>Segment elimination</b>	<b>Total consolidated</b>
50	173,470	973,708	6,011	39,810	86,487	543,324	(2,817,420)		1,649,340
			149,735						149,735
00	1,920,778	605,483	22,214	194,486	42,685	241	(2,541,078)		865,109
02	28,378	335,058		(721)		556,241	(570,480)		890,578
07	1,128,771	125,406		222,486	5,817	11	(3,444,678)		353,720
21	493,252	137,360	31,052	26,416	24,500	362,644	(2,721,373)	(64,839)	517,133
45	2,365,613	256,077	15,538	(184,670)	480,989	1,809,988	(4,351,758)	(6,610)	2,371,312
05	256,729			16,032		11,916,471	(465,934)	(11,801,826)	130,677
						8,404,503			8,404,503
04							(1,828,304)		
			2,641,978						2,641,978
59	2,464,316		11,288	221,466	1,084,455	118,681	(12,313,285)		1,435,890
09	4,267,514	8,595,251	173	824,277	860,253	6,419	(7,556,223)		10,286,373
	Table of Contents								352



35)	(1,557,782)	(3,133,347)		(261,166)	(784,709)	(4,323,418)	11,935,367		(8,502,640)
08)	(188,556)	(4,960)				(328,474)	547,964		(333,434)
19)	(529,990)	(848,770)	(790)	(118,784)	(141,289)	(2,826)	1,166,609		(1,112,459)
19)	(66,799)	(58,955)	(5,336)	(15,437)	(19,302)	(21,387)	319,018		(120,417)
08)	(1,896,387)	(118,021)	(20,783)	(100,853)	(89,787)	(402,204)	2,672,595	63,735	(667,913)
11)	(2,263,528)	(992,028)	(93,552)	(193,082)	(221,851)	(3,977,389)	4,951,439	7,722	(5,470,180)
52)	6,595,779	5,872,262	2,757,528	670,260	1,328,248	14,662,826	(17,017,541)	(11,801,818)	13,489,306
12)	<b>13,098,821</b>	<b>11,028,343</b>	<b>2,877,989</b>	<b>1,359,582</b>	<b>2,585,186</b>	<b>23,718,523</b>	<b>(38,610,533)</b>	<b>(11,873,275)</b>	<b>29,696,348</b>
52)	6,453,922	5,872,262	2,757,528	670,260	967,548	14,662,826	(16,875,684)	(19,085,867)	5,844,557
	141,857				360,700		(141,857)	7,284,049	7,644,749
52)	<b>6,595,779</b>	<b>5,872,262</b>	<b>2,757,528</b>	<b>670,260</b>	<b>1,328,248</b>	<b>14,662,826</b>	<b>(17,017,541)</b>	<b>(11,801,818)</b>	<b>13,489,306</b>

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)***Net sales by segment:**

	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>
<b>Raízen Energia</b>			
Ethanol	5,557,298	4,376,826	3,143,254
Sugar	4,671,006	4,059,580	3,127,616
Cogeneration	554,876	618,583	376,579
Other	297,670	208,941	202,940
	<b>11,080,850</b>	<b>9,263,930</b>	<b>6,850,389</b>
<b>Raízen Combustíveis</b>			
Fuels	61,412,966	55,733,927	37,553,167
Other			27,403
	<b>61,412,966</b>	<b>55,733,927</b>	<b>37,580,570</b>
<b>COMGÁS</b>			
Industrial	4,206,946	4,122,077	3,065,600
Residential	677,693	632,997	522,642
Thermo generation	511,942	407,736	212,103
Construction revenue	408,086	481,314	536,482
Commercial	286,491	255,051	186,932
Cogeneration	271,641	246,841	187,457
Automotive	197,262	199,820	151,195
Other	36,957	41,267	26,484
	<b>6,597,018</b>	<b>6,387,103</b>	<b>4,888,895</b>
<b>Radar</b>			
Property sales	69,162	85,308	5,694
Land lease	20,187	60,944	49,038
Other	13,365	11,310	
	<b>102,714</b>	<b>157,562</b>	<b>54,732</b>

<b>Lubricants</b>			
Lubricants	1,514,005	1,325,472	1,040,150
Basic oil	222,009	225,701	137,309
Other	15,713	51,025	7,740
	<b>1,751,727</b>	<b>1,602,198</b>	<b>1,185,199</b>
<b>Other businesses</b>	<b>437</b>		<b>38</b>
IFRS 11 Deconsolidated of adjustments/eliminations joint ventures and eliminations	(72,525,384)	(64,997,857)	(44,430,959)
<b>Cosan Energia</b>	<b>8,420,328</b>	<b>8,146,863</b>	<b>6,128,864</b>

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

<b>Logistics</b>			
North operations	2,925,114		
South operations	888,502		
Container operations	224,307		
Logistics <sup>(i)</sup>		671,600	597,476
Port handling <sup>(i)</sup>		220,543	138,236
Other <sup>(i)</sup>		23,298	13,638
	<b>4,037,923</b>	<b>915,441</b>	<b>749,350</b>
<b>Total</b>	<b>12,458,251</b>	<b>9,062,304</b>	<b>6,878,214</b>

(i) As the acquisition of ALL occurred on April 1, 2015, the result of information with segments are presented in the North Operations, comprised of the railway operations, transshipment and port elevation in the areas of the Company's concession of ALL Malha Norte and ALL Malha Paulista.

**Concentration of customers:****(i) COMGÁS**

No customers or specific group represented 10% or more of net sales for the periods presented.

**(ii) Logistic**

In 2015, 34% of the segment's net sales was generated from sales to Raízen Energia (27% for the year ended December 31, 2014; 35% for the nine month period ended December 31, 2013).

**(iii) Radar**

In 2015, 20% of the segment's net sales was generated from sales to Raízen Energia (15% for the year ended December 31, 2014; 22% for the nine month period ended December 31, 2013).

**(iv) Lubricants**

No customers or specific group represented 10% or more of net sales for the periods presented.

**7 Cash and cash equivalents**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Cash and bank deposits	305,510	152,720
Short-term investments	3,200,314	1,496,620
	<b>3,505,824</b>	<b>1,649,340</b>

Short-term investments are composed as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Exclusive funds</b>		
Repurchase agreements	1,252,229	423,535
Bank certificate of deposits CDB	792,279	87,646
Other	199,919	
	<b>2,244,427</b>	<b>511,181</b>

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)***Bank investments**

Repurchase agreements	407,971	222,570
Bank certificate of deposits CDB	542,658	762,869
Other	5,258	
	<b>955,887</b>	<b>985,439</b>
	<b>3,200,314</b>	<b>1,496,620</b>

**8 Investment securities**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Government security	334,167	32,871
Bank certificate of deposits CDB	271,323	11,544
Debentures <sup>(i)</sup>	144,208	105,320
	<b>749,698</b>	<b>149,735</b>

(i) In 2015, the Company acquired debentures of its associates Tellus Brasil Participações S.A. ( Tellus ) and Janus Brasil Participações S.A. ( Janus ), which have as business purpose of buying and selling of investment property. This represents 5% of the debentures issued by Tellus and Janus. The companies and other stakeholders are eligible to receive 90% of annual dividends proposed by them. The debentures are redeemable at the time that the entities effecting sales of properties, which are valued using fair market value on a quarterly basis. The debentures are classified as available for sale financial instruments (securities).

**9 Trade receivables**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Domestic Brazilian Reais	999,007	1,369,013
Export Foreign currency	29,402	25,323

Allowance for doubtful accounts	(63,431)	(48,235)
	<b>964,978</b>	<b>1,346,101</b>
<b>Current</b>	<b>904,245</b>	<b>865,109</b>
<b>Non-current</b>	<b>60,733</b>	<b>480,992</b>

The ageing of trade receivables is as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Not overdue	836,314	780,010
Overdue:		
From 1 to 30 days	84,981	119,520
From 31 to 60 days	18,561	29,863
From 61 to 90 days	9,159	33,897
More than 90 days	79,394	431,046
(-) Allowance for doubtful accounts	(63,431)	(48,235)
	<b>964,978</b>	<b>1,346,101</b>

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

Changes in the allowance for doubtful accounts are as follows:

At January 1, 2014	(28,628)
Provision	(22,277)
Reversal	2,670
At December 31, 2014	(48,235)
Provision	(48,620)
Reversal	31,749
Write-off	1,675
<b>At December 31, 2015</b>	<b>(63,431)</b>

**10 Inventories**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Finished goods	289,708	223,706
Work in process	86,981	86,895
Spare parts and other	280,212	43,119
	<b>656,901</b>	<b>353,720</b>

Changes in the provision for slow moving inventory and obsolescence:

At January 1, 2014	(332)
Provision	(4,436)
At December 31, 2014	(4,768)
Provision	(6,758)
Reversal	8,158



At December 31, 2015

(3,368)

**11 Other current tax receivable**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
ICMS State VAP	597,023	91,121
COFINS Revenue tax	235,980	12,604
PIS Revenue tax	69,098	8,387
PAES Special Program for Installment Payments	33,245	
Provision for non-realization tax	(7,587)	(17,147)
Other	17,682	1,152
	<b>945,441</b>	<b>96,117</b>
<b>Current</b>	<b>311,892</b>	<b>78,818</b>
<b>Non-current</b>	<b>633,549</b>	<b>17,299</b>

(i) The variation refers to the amount of assets acquired in the ALL's business combination.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

**12 Other trade receivables**

	December 31, 2015	December 31, 2014
Receivable from ExxonMobil <sup>(i)</sup>		332,405
Receivable from sale of discontinued operations		107,775
		<b>440,180</b>
<b>Current</b>		<b>69,683</b>
<b>Non-current</b>		<b>370,497</b>

(i) The subsidiary CLE has a receivable from ExxonMobil related to tax debits included in the Brazilian Government's tax amnesty and refinancing program ( Refis IV ), which are the responsibility of ExxonMobil Brasil Holdings BV ( ExxonMobil ).

On September 1, 2015, CLE was notified by the Brazilian Federal Revenue Service on the exclusion of tax installments due to the previously made deposits. Thus, the accounts receivable was offset to the balance in the same amount of taxes payable, related to the collection of tax debts included in the special program installment of federal taxes ( Refis IV ).

**13 Related parties****a) Receivables from and payables to related parties:**

	December 31, 2015	December 31, 2014
<b>Current assets</b>		
<b>Commercial operations</b>		
Raízen Energia S.A.	47,591	23,229
Raízen Combustíveis S.A.	3,052	2,576
Aguassanta Participações S.A.	6,371	6,340

Other	4,085	556
	<b>61,099</b>	<b>32,701</b>
<b>Corporate operation / Agreements</b>		
Raízen Energia S.A. <sup>(i)</sup>	13,028	3,388
	<b>13,028</b>	<b>3,388</b>
<b>Financial operations</b>		
Raízen Combustíveis S.A.	1,102	1,319
Rezende Barbosa Group		949
	<b>1,102</b>	<b>2,268</b>
	<b>75,229</b>	<b>38,357</b>

F-52

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)***Non-current assets****Receivables under the framework agreement**

Raízen Energia S.A. <sup>(i)</sup>	89,763	104,984
Janus Brasil Participações S.A.	20,875	
Raízen Combustíveis S.A. <sup>(i)</sup>		15,126
	<b>110,638</b>	<b>120,110</b>

**Financial operations**

Rezende Barbosa Group <sup>(ii)</sup>	70,365	84,996
Novvi Limited Liability Company	17,121	7,417
Other	8	4

**87,494 92,417****Corporate operation**

Raízen Energia S.A. <sup>(i)</sup>	23,029	
Other	184	

**23,213****221,345 212,527****Total 296,574 250,884****Current liabilities****Commercial operations**

Raízen Energia S.A. <sup>(i)</sup>	46,582	25,926
Raízen Combustíveis S.A. <sup>(i)</sup>	71,489	1,283
Shell Brazil Holding B.V.		3,820
Other	(454)	96

**117,617 31,125****Corporate operations / Agreements**

Raízen Energia S.A. <sup>(i)</sup>	78,653	94,892
Raízen Combustíveis S.A. <sup>(i)</sup>	7,810	11,402

**86,463 106,294****Financial operations**

Other		22
-------	--	----

			<b>22</b>
<b>Total</b>		<b>204,080</b>	<b>137,441</b>

**b) Related party transactions:**

	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>
<b>Sales of goods and services</b>			
Raízen Energia S.A.	352,703	303,395	279,185
Raízen Combustíveis S.A.	98,235		
Other	562	2,796	203
	<b>451,500</b>	<b>306,191</b>	<b>279,388</b>
<b>Purchase of goods / Inputs</b>			
Raízen Energia S.A.	(2,431)	(109)	(13)
Raízen Combustíveis S.A.	(445,123)	(741)	(1,035)
	<b>(447,554)</b>	<b>(850)</b>	<b>(1,048)</b>

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

<b>Land lease</b>			
Raízen Energia S.A.	58,508	54,045	43,995
	<b>58,508</b>	<b>54,045</b>	<b>43,995</b>
<b>Shared income (expense)</b>			
Aguassanta Participações S.A.	431	440	295
Raízen Energia S.A.	(41,914)	(33,555)	(7,950)
	<b>(41,483)</b>	<b>(33,115)</b>	<b>(7,655)</b>
<b>Financial result</b>			
Raízen Energia S.A.	2,440	2,613	1,781
Rezende Barbosa Group	10	421	804
Other	(200)	269	113
	<b>2,250</b>	<b>3,303</b>	<b>2,698</b>
<b>Total</b>	<b>23,221</b>	<b>329,574</b>	<b>317,378</b>

For the periods presented, no loss for doubtful accounts was recorded from commercial operations with its subsidiaries, associates and joint ventures.

The Company has lands leases for sugarcane plantation, using mean assumption the Total Recoverable Sugars ( ATR ) released by São Paulo State Council of Sugarcane, Sugar and Alcohol Producers ( CONSECANA ).

The Company allocates all revenues and costs on *pro-rata* bases between the entities of the group.

**(i) Raízen Energia and Raízen Combustíveis**

Non-current assets receivable from Raízen Energia and Raízen Combustíveis are, primarily, tax credits which will be reimbursed to the Company when realized. Current liabilities represent payables in relation to expenses paid by Raízen Energia and Raízen Combustíveis to Cosan S.A.

**(ii) Rezende Barbosa Group**

The Company has receivables with Rezende Barbosa for the repayment of loans taken prior to the acquisition of the subsidiaries. These receivables are secured by Cosan S.A. shares.

## c) Officers and directors compensation

	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>
Regular compensation	33,332	37,193	19,299
Stock option expense	12,661	12,924	6,595
Bonuses and other variable compensation	46,627	29,258	13,092
	<b>92,620</b>	<b>79,375</b>	<b>38,986</b>

F-54

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)***14 Investments in associates****a) Information in associates of the Company and the Company's ownership:**

	<b>Tellus Brasil Participações S.A.<sup>(ii)</sup></b>	<b>Novvi Limited Liability Company</b>	<b>Janus Brasil Participações S.A.<sup>(ii)</sup></b>	<b>Other investments</b>	<b>Total</b>
Shares issued by the associate	65,957,282	200,002	16,166,927		
Shares held by Cosan	33,638,214	100,001	31,699,465		
<b>Cosan ownership interest</b>	<b>51.00%</b>	<b>50.00%</b>	<b>51.00%</b>		
At December 31, 2013	78,821	15,364		9,131	103,316
Equity in earnings (losses) of associates	9,657	(7,501)		1,384	3,540
Other comprehensive income (losses)	204	2,019		(2,693)	(470)
Dividends	(3,118)				(3,118)
Capital increase	7,294	4,640	13,063	1,500	26,497
Other	1,559			(647)	912
At December 31, 2014	94,417	14,522	13,063	8,675	130,677
Equity in earnings (losses) of associates	7,822	(11,586)	2,836	8,906	7,978
Other comprehensive income (losses)	(429)	3,847		2,767	6,185
Dividends	(2,261)			(4,000)	(6,261)
Business combination <sup>(i)</sup>				38,130	38,130
Capital increase			7,814		7,814
Other	89			(236)	(147)
<b>At December 31, 2015</b>	<b>99,638</b>	<b>6,783</b>	<b>23,713</b>	<b>54,242</b>	<b>184,376</b>

(i) Related to investment of ALL.



**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reals R\$, unless otherwise stated)

**Financial information of associates:**

	<b>Twelve months ended December 31, 2015</b>				
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Profit (loss) for the year</b>	<b>Total comprehensive loss</b>
Tellus Brasil Participações S.A. <sup>(ii)</sup>	1,966,635	(3,013)	(1,963,622)	144,868	(8,813)
Novvi Limited Liability Company	13,951	(37,670)	23,719	(18,278)	
Janus Brasil Participações S.A. <sup>(ii)</sup>	967,850	(135,084)	(832,766)	19,155	

	<b>Twelve months ended December 31, 2014</b>				
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Profit (loss) for the year</b>	<b>Total comprehensive income</b>
Tellus Brasil Participações S.A. <sup>(ii)</sup>	1,865,488	12,421	1,853,067	192,553	4,334
Novvi Limited Liability Company	21,800	18,147	3,653	(14,847)	4,038
Janus Brasil Participações S.A. <sup>(ii)</sup>	254,749	103	254,646	(1,483)	

	<b>Nine months ended December 31, 2013</b>				
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Profit for the year</b>	<b>Total comprehensive income</b>
Tellus Brasil Participações S.A. <sup>(ii)</sup>	1,664,607	119,130	1,545,477	290,686	2,263

(ii) The Company is entitled to 5.1% of the economic benefits of the associate as established in the shareholders agreement.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)***b) Information in the non-controlling interests in subsidiaries of the Company:**

								Elimination of participation of Radar II in Radar
Cosan S.A. Indústria e Comércio	Cosan Logística S.A.	Companhia de Gás de São Paulo COMGÁS	Rumo Logística Operadora Multimodal S.A.	Logispot Armazéns Agrícolas S.A.	Radar Propriedades Agrícolas S.A.	Radar II Propriedades Agrícolas S.A.		
407,214,353	405,856,814	124,009,308	299,015,898	2,040,816	21,148,989	830,690,258		
153,511,030	152,153,491	47,950,970	220,507,722	1,000,000	17,147,822	290,710,861		
<b>37.49%</b>	<b>36.73%</b>	<b>38.67%</b>	<b>73.74%</b>	<b>49.00%</b>	<b>81.08%</b>	<b>35.00%</b>		
3,654,978		1,961,238	349,285	37,219	1,607,793	328,192	(505,215)	
105,153	9,368	210,196	28,784	152	100,253	17,567		
(17,690)		967			4,998	349	(234)	
(91,618)	(9,288)	(65,715)	(54,379)		(32,432)	(8,365)	6,504	
2,229	(186)	4,892	(54)	(305)			113	
3,653,052	(106)	2,111,578	323,636	37,066	1,680,612	337,743	(498,832)	
263,596	(10,948)	239,727	(127,721)	(135)	48,609	13,344		
(112,227)	1,255	432	11,085		7,053	395	(1,416)	

	70,911		2,749,367				
(106,212)		(244,600)	(71,244)	(96)	(7,533)	(2,460)	1,510
1,887	(15,069)	2,430	(18,879)		8		(112)
<b>3,700,096</b>	<b>46,043</b>	<b>2,109,567</b>	<b>2,866,244</b>	<b>36,835</b>	<b>1,728,749</b>	<b>349,022</b>	<b>(498,850)</b>

F-57

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)***Summarized balance sheet:**

	<b>Cosan S.A. Indústria e Comércio</b>		<b>Cosan Logística S.A.</b>		<b>Companhia de Gás de São Paulo COMGÁS</b>	
	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>						
Assets	951,424	696,504	181,262	21,415	2,780,989	1,841,957
Liabilities	(942,089)	(2,240,784)	(10,854)	(24,774)	(2,047,974)	(1,497,373)
<b>Net current assets (liabilities)</b>	<b>9,335</b>	<b>(1,544,280)</b>	<b>170,408</b>	<b>(3,359)</b>	<b>733,015</b>	<b>344,584</b>
<b>Non-current</b>						
Assets	16,801,315	15,408,875	942,869	970,907	9,558,652	9,186,386
Liabilities	(7,964,462)	(5,046,319)			(4,427,331)	(3,658,708)
<b>Net non-current assets</b>	<b>8,836,853</b>	<b>10,362,556</b>	<b>942,869</b>	<b>970,907</b>	<b>5,131,321</b>	<b>5,527,678</b>
<b>Equity</b>	<b>8,846,188</b>	<b>8,818,276</b>	<b>1,113,277</b>	<b>967,548</b>	<b>5,864,336</b>	<b>5,872,262</b>

	<b>Rumo Logística Operadora Multimodal S.A.</b>		<b>Radar Propriedades Agrícolas S.A.</b>		<b>Radar II Propriedades Agrícolas S.A.</b>	
	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>						
Assets	123,881	145,211	182,118	166,766	7,712	803
Liabilities	(419,508)	(368,401)	(26,775)	(16,744)	(7,083)	(202)
<b>Net current assets (liabilities)</b>	<b>(295,627)</b>	<b>(223,190)</b>	<b>155,343</b>	<b>50,022</b>	<b>629</b>	<b>601</b>
<b>Non-current</b>						
Assets	6,747,929	2,337,758	2,111,574	2,135,540	996,831	964,391
Liabilities	(2,867,833)	(820,026)	(51,892)	(44,899)	(29)	

<b>Net non-current assets</b>	<b>3,880,096</b>	<b>1,517,732</b>	<b>2,059,682</b>	<b>2,090,641</b>	<b>996,802</b>	<b>964,391</b>
<b>Equity</b>	<b>3,584,469</b>	<b>1,294,542</b>	<b>2,215,025</b>	<b>2,140,663</b>	<b>997,431</b>	<b>964,992</b>

F-58

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)***Summarized statement of profit or loss and other comprehensive income:**

	<b>Cosan S.A. Indústria e Comércio</b>			<b>Cosan Logística S.A.</b>			<b>Companhia de Gás de São Paulo COMGÁS</b>		
	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>
Net sales							6,597,017	6,387,104	4,888,897
Profit (loss) before taxes	409,406	26,413	(73,583)	(25,841)	104,316	120,819	866,742	734,945	560,443
Income tax (expenses) benefit	257,178	196,168	186,914	(4,189)	(4)		(248,354)	(203,810)	(152,740)
<b>Profit (loss) for the year</b>	<b>666,584</b>	<b>222,581</b>	<b>113,331</b>	<b>(30,030)</b>	<b>104,312</b>	<b>120,819</b>	<b>618,388</b>	<b>531,135</b>	<b>407,703</b>
Other comprehensive income	(359,989)	(46,053)	(6,503)	3,404			2,277	6,266	24,574
<b>Total comprehensive income (loss)</b>	<b>306,595</b>	<b>176,528</b>	<b>106,828</b>	<b>(26,626)</b>	<b>104,312</b>	<b>120,819</b>	<b>620,665</b>	<b>537,401</b>	<b>432,277</b>
Comprehensive income attributable to non-controlling interests	114,942	66,179	39,749	(9,780)	39,106	44,955	240,011	211,253	172,695
Dividends paid	(272,330)	(297,080)	(314,457)				(129,253)	(65,715)	

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

	<b>Rumo Logística Operadora Multimodal S.A.</b>			<b>Radar Propriedades Agrícolas S.A.</b>			<b>Radar II Propriedades Agrícolas S.A.</b>		
	<b>Twelve months ended</b>	<b>Twelve months ended</b>	<b>Nine months ended</b>	<b>Twelve months ended</b>	<b>Twelve months ended</b>	<b>Nine months ended</b>	<b>Twelve months ended</b>	<b>Twelve months ended</b>	<b>Nine months ended</b>
	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Net sales	903,930	905,449	742,962	46,542	43,883	14,433			
Profit (loss) before taxes	(182,164)	172,678	243,201	81,187	164,365	94,783	38,084	50,217	15,240
Income tax (expenses) benefit	23,757	(58,151)	(82,110)	(6,230)	(8,605)	(3,320)	(31)	(20)	
<b>Profit (loss) for the year</b>	<b>(158,407)</b>	<b>114,527</b>	<b>161,091</b>	<b>74,957</b>	<b>155,760</b>	<b>91,463</b>	<b>38,053</b>	<b>50,197</b>	<b>15,240</b>
Other comprehensive income	12,966			8,698	22,157	16,017	1,415	3,603	2,604
<b>Total comprehensive income (loss)</b>	<b>(145,441)</b>	<b>114,527</b>	<b>161,091</b>	<b>83,655</b>	<b>177,917</b>	<b>107,480</b>	<b>39,468</b>	<b>53,800</b>	<b>17,844</b>
Comprehensive income attributable to non-controlling interests	(107,248)	28,632	40,273	67,827	144,255	87,145	13,814	18,830	6,245
Dividends paid	(300,000)				(25,928)	(1,945)		(8,365)	(5,250)

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)***Summarized statements of cash flows<sup>(i)</sup>:**

	Cosan S.A. Indústria e Comércio			Cosan Logística S.A.			Companhia de Gás de São Paulo COMGÁS		
	Twelve months ended	Twelve months ended	Nine months ended	Twelve months ended	Twelve months ended	Nine months ended	Twelve months ended	Twelve months ended	Nine months ended
	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2015	December 31, 2014	December 31, 2013
Cash generated from operations	(490,417)	(500,267)	(177,750)	9,668	12		2,216,242	1,596,064	1,081,121
Income taxes paid							(86,693)	(111,970)	(121,308)
<b>Net cash (used in) generated by operating activities</b>	<b>(490,417)</b>	<b>(500,267)</b>	<b>(177,750)</b>	<b>9,668</b>	<b>12</b>		<b>2,129,549</b>	<b>1,484,094</b>	<b>959,813</b>
<b>Net cash (used in) generated by investing activities</b>	<b>750,399</b>	<b>853,090</b>	<b>1,292,834</b>	<b>199,897</b>	<b>187,500</b>		<b>(512,803)</b>	<b>(661,546)</b>	<b>(610,418)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>95,063</b>	<b>(232,910)</b>	<b>(1,170,480)</b>	<b>(36,718)</b>	<b>(186,500)</b>		<b>(622,810)</b>	<b>(384,798)</b>	<b>(140,942)</b>



<b>Increase (decrease) in cash and cash equivalents</b>	<b>355,045</b>	<b>119,913</b>	<b>(55,396)</b>	<b>172,847</b>	<b>1,012</b>		<b>993,936</b>	<b>437,750</b>	<b>208,453</b>
Cash and cash equivalents at beginning of year	376,004	256,091	311,487	1,013	1	1	973,709	535,957	327,504
<b>Cash and cash equivalents at end of the year</b>	<b>731,049</b>	<b>376,004</b>	<b>256,091</b>	<b>173,860</b>	<b>1,013</b>	<b>1</b>	<b>1,967,645</b>	<b>973,707</b>	<b>535,957</b>

F-61

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

	<b>Rumo Logística Operadora Multimodal S.A.</b>			<b>Radar Propriedades Agrícolas S.A.</b>		
	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>
Cash generated from operations	282,631	105,840	229,711	23,042	68,173	29,256
Income taxes paid	(2,241)	(34,789)	(2,064)	(4,680)	(10,219)	(4,032)
<b>Net cash generated by operating activities</b>	<b>280,390</b>	<b>71,051</b>	<b>227,647</b>	<b>18,362</b>	<b>57,954</b>	<b>25,224</b>
<b>Net cash (used in) generated by investing activities</b>	<b>(1,806,386)</b>	<b>(262,876)</b>	<b>(187,606)</b>	<b>(21,039)</b>	<b>(21,181)</b>	<b>(24,070)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>1,480,502</b>	<b>(230,292)</b>	<b>(37,633)</b>		<b>(40,000)</b>	<b>(3,000)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(45,494)</b>	<b>(422,117)</b>	<b>2,408</b>	<b>(2,677)</b>	<b>(3,227)</b>	<b>(1,846)</b>
Cash and cash equivalents at beginning of year	74,826	496,943	494,535	3,394	9,189	10,703
<b>Cash and cash equivalents at end of the year</b>	<b>29,332</b>	<b>74,826</b>	<b>496,943</b>	<b>717</b>	<b>5,962</b>	<b>8,857</b>

(i) Information presented for subsidiaries with significant non-controlling interest.

**15 Investments in joint ventures**

The Company entered into an agreement to form two joint ventures, accounting for 50% of the economic benefits of the companies, they are:

- (i) Raízen Combustíveis which owns a network of, approximately, 5,682 fuel service stations throughout Brazil, 63 distribution terminals and 59 airports terminals for supplying aviation fuel; and
  
- (ii) Raízen Energia, which produces and sell sugar, ethanol and renders electric energy cogeneration services, the latter mainly from sugar cane bagasse. Raízen Energia is responsible for the production of, approximately, 2 billion liters of ethanol per year to supply the domestic and foreign market, 4 million tons of sugar and 940 MW of installed capacity of electricity. Raízen Energia cultivates harvests and processes sugar cane the main raw material used in the production of sugar and ethanol.

Cosan has joint control over Raízen Combustíveis and Raízen Energia by virtue of its 50% share in the equity of both companies and the requirement for unanimous consent by all shareholders over decisions related to the significant activities. The investments have been classified as joint ventures under IFRS 11 and therefore the equity method of accounting is used for all periods presented in these consolidated financial statements.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

Changes to investments in joint ventures were as follows:

	<b>Raízen Combustíveis S.A.</b>	<b>Raízen Energia S.A.</b>	<b>Total</b>
Shares issued by the associate	3,303,168,484	5,902,595,634	
Shares held by Cosan	1,651,584,242	2,951,297,817	
<b>Cosan ownership interest</b>	<b>50.00%</b>	<b>50.00%</b>	
At December 31, 2013	3,326,482	5,171,777	8,498,259
Equity in earnings of joint ventures	503,176	85,252	588,428
Other comprehensive losses	(210)	(44,322)	(44,532)
Dividends	(610,982)	(26,912)	(637,894)
Other		242	242
At December 31, 2014	3,218,466	5,186,037	8,404,503
Equity in earnings of joint ventures	618,399	157,167	775,566
Other comprehensive losses	(6,909)	(218,518)	(225,427)
Dividends	(423,824)		(423,824)
Other	(201,298)		(201,298)
<b>At December 31, 2015</b>	<b>3,204,834</b>	<b>5,124,686</b>	<b>8,329,520</b>

The statement of financial position and statement of profit or loss of the joint ventures are disclosed in Note 6, Segments.

Pursuant to the terms of the Raízen Joint Venture Framework Agreement, Cosan is responsible for certain legal proceedings that existed prior to the formation of Raízen, net of judicial deposits as of April 1, 2011, as well as tax installments under the REFIS (tax amnesty and refinancing program), recorded in Other taxes payable. Additionally, Cosan has access to a credit line (stand-by facility) granted to Raízen in the amount of US\$500 million, which was unused at December 31, 2015.

**16 Assets held for sale and investment property**

	<b>Investment property</b>	<b>Assets held for sale</b>	<b>Total</b>
At December 31, 2013	2,281,509	314,104	2,595,613
Change in fair value	112,579	19,118	131,697
Transfers	247,890	(247,890)	
Disposals		(60,243)	(60,243)
At December 31, 2014	2,641,978	25,089	2,667,067
Change in fair value	53,507	(2,434)	51,073
Additions	3,535	38,300	41,835
Transfers <sup>(i)</sup>	(97,985)	106,964	8,979
Disposals	(6,000)	(17,981)	(23,981)
<b>At December 31, 2015</b>	<b>2,595,035</b>	<b>149,938</b>	<b>2,744,973</b>

(i) The amount of R\$ 8,979 refers from property, plant and equipment transfers to investment properties. Investment properties include farms located in the Southeast, Midwest and Northeast regions of Brazil, which are leased to third parties and jointly controlled entities. The leases have an average term of 18 years for the cultivation of sugarcane and 10 years for beans.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)***17 Property, plant and equipment**

	<b>Land, buildings and improvements</b>	<b>Machinery, equipment and facilities</b>	<b>Railcars and locomotives</b>	<b>Construction in progress</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>						
At December 31, 2013	447,240	359,262	436,064	284,262	35,100	1,561,928
Additions	114	5,830		382,737		388,681
Disposals	(1,726)	(17,262)		2	(2,076)	(21,062)
Transfers	69,228	102,258	83,928	(411,359)	4,261	(151,684)
<b>At December 31, 2014</b>	<b>514,856</b>	<b>450,088</b>	<b>519,992</b>	<b>255,642</b>	<b>37,285</b>	<b>1,777,863</b>
<b>Depreciation</b>						
At December 31, 2013	(80,419)	(153,996)	(41,584)		(14,019)	(290,018)
Additions	(15,807)	(36,810)	(14,104)		(4,710)	(71,431)
Disposals	1,388	16,147			1,948	19,483
Transfers	(8,778)	8,753			18	(7)
<b>At December 31, 2014</b>	<b>(103,616)</b>	<b>(165,906)</b>	<b>(55,688)</b>		<b>(16,763)</b>	<b>(341,973)</b>
<b>At December 31, 2013</b>	<b>366,821</b>	<b>205,266</b>	<b>394,480</b>	<b>284,262</b>	<b>21,081</b>	<b>1,271,910</b>
<b>At December 31, 2014</b>	<b>411,240</b>	<b>284,182</b>	<b>464,304</b>	<b>255,642</b>	<b>20,522</b>	<b>1,435,890</b>

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

	<b>Land, buildings and improvements</b>	<b>Machinery, equipment and facilities</b>	<b>Railcars and locomotives</b>	<b>Permanent railways</b>	<b>Construction in progress</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>							
At December 31, 2014	514,856	450,088	519,992		255,642	37,285	1,777,863
Additions	23,896	9,538	246,652	665	1,436,325	18,354	1,735,430
Disposals	(2,063)	(2,253)	(3,338)	(7,584)		(29,174)	(44,412)
Transfers	63,299	101,152	570,753	1,012,955	(1,864,570)	25,778	(90,633)
Business combinations	259,969	104,698	2,900,978	2,562,561	996,637	414,847	7,239,690
<b>At December 31, 2015</b>	<b>859,957</b>	<b>663,223</b>	<b>4,235,037</b>	<b>3,568,597</b>	<b>824,034</b>	<b>467,090</b>	<b>10,617,938</b>
<b>Depreciation</b>							
At December 31, 2014	(103,616)	(165,906)	(55,688)			(16,763)	(341,973)
Additions	(27,626)	(67,149)	(149,211)	(227,466)		(44,843)	(516,295)
Disposals	1,632	1,306	781	280		874	4,873
Transfers	11,554	12,824	(44,568)	17,878		43,656	41,344
<b>At December 31, 2015</b>	<b>(118,056)</b>	<b>(218,925)</b>	<b>(248,686)</b>	<b>(209,308)</b>		<b>(17,076)</b>	<b>(812,051)</b>
<b>At December 31, 2014</b>	<b>411,240</b>	<b>284,182</b>	<b>464,304</b>		<b>255,642</b>	<b>20,522</b>	<b>1,435,890</b>
<b>At December 31, 2015</b>	<b>741,901</b>	<b>444,298</b>	<b>3,986,351</b>	<b>3,359,289</b>	<b>824,034</b>	<b>450,014</b>	<b>9,805,887</b>

**Capitalization of borrowing costs**

Capitalized borrowing costs for the year ended December 31, 2015 amounted to R\$ 3,726 (R\$ 5,779 for the year ended December 31, 2014).





**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)***18 Intangible assets**

	<b>Goodwill</b>	<b>Concession rights</b>	<b>Improvements to public concessions and operating licenses</b>	<b>Trademarks</b>	<b>Customer relationships</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>							
At December 31, 2013	703,956	8,307,282	751,555	252,474	719,186	200,825	10,935,278
Additions		502,942			149,236	22,554	674,732
Disposals		(19,539)			(6,773)	(1)	(26,313)
Transfers		(675)	146,965		675	4,719	151,684
<b>At December 31, 2014</b>	<b>703,956</b>	<b>8,790,010</b>	<b>898,520</b>	<b>252,474</b>	<b>862,324</b>	<b>228,097</b>	<b>11,735,381</b>
<b>Amortization</b>							
At December 31, 2013		(306,437)	(102,119)	(114,132)	(273,120)	(61,430)	(857,238)
Additions		(343,956)	(40,714)	(22,830)	(155,582)	(45,684)	(608,766)
Disposals		13,662			3,420	(97)	16,985
Transfers						11	11
<b>At December 31, 2014</b>		<b>(636,731)</b>	<b>(142,833)</b>	<b>(136,962)</b>	<b>(425,282)</b>	<b>(107,200)</b>	<b>(1,449,008)</b>
<b>At December 31, 2013</b>	<b>703,956</b>	<b>8,000,845</b>	<b>649,436</b>	<b>138,342</b>	<b>446,066</b>	<b>139,395</b>	<b>10,078,040</b>
<b>At December 31, 2014</b>	<b>703,956</b>	<b>8,153,279</b>	<b>755,687</b>	<b>115,512</b>	<b>437,042</b>	<b>120,897</b>	<b>10,286,373</b>

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

	<b>Goodwill</b>	<b>Concession rights</b>	<b>Improvements to public concessions and operating licenses</b>	<b>Trademarks</b>	<b>Customer relationships</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>							
At December 31, 2014	703,956	8,790,010	898,520	252,474	862,324	228,097	11,735,381
Additions		424,279			83,178	28,439	535,896
Disposals		(52,545)	(470,970)		(7,728)		(531,243)
Transfers		(2,632)	4,979		2,696	67,764	72,807
Business combinations	9,335	7,504,935				79,713	7,593,983
<b>At December 31, 2015</b>	<b>713,291</b>	<b>16,664,047</b>	<b>432,529</b>	<b>252,474</b>	<b>940,470</b>	<b>404,013</b>	<b>19,406,824</b>
<b>Amortization</b>							
At December 31, 2014		(636,731)	(142,833)	(136,962)	(425,282)	(107,200)	(1,449,008)
Additions		(417,170)	(45,571)	(22,827)	(155,346)	(49,124)	(690,038)
Disposals		42,095			5,217		47,312
Transfers			(5,414)			13	(5,401)
<b>At December 31, 2015</b>		<b>(1,011,806)</b>	<b>(193,818)</b>	<b>(159,789)</b>	<b>(575,411)</b>	<b>(156,311)</b>	<b>(2,097,135)</b>
<b>At December 31, 2014</b>	<b>703,956</b>	<b>8,153,279</b>	<b>755,687</b>	<b>115,512</b>	<b>437,042</b>	<b>120,897</b>	<b>10,286,373</b>
<b>At December 31, 2015</b>	<b>713,291</b>	<b>15,652,241</b>	<b>238,711</b>	<b>92,685</b>	<b>365,059</b>	<b>247,702</b>	<b>17,309,689</b>

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

**Capitalization of borrowing costs**

Capitalized borrowing costs for the year ended December 31, 2015, amounted to R\$ 20,098 (R\$ 20,891 for December 31, 2014). The weighted average interest rate used to capitalize borrowing costs on the balance of construction in progress, was 11.47% p.a. for the year ended December 31, 2015 (10.93% p.a. for December 31, 2014)

<b>Intangible assets (excluding goodwill)</b>	<b>Annual rate of amortization %</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Gas distribution concession COMGÁS®	Concession term	8,237,379	8,153,279
Concession rights Rum® <sup>(i)</sup>	Concession term	7,414,862	
		<b>15,652,241</b>	<b>8,153,279</b>
Improvements to public rail concessions <sup>(iii)</sup>	Concession term		505,237
Operating license for port terminal <sup>(iv)</sup>	4.00%	238,711	250,450
		<b>238,711</b>	<b>755,687</b>
Trademarks			
<i>Mobil</i>	10.00%	68,481	91,308
<i>Comma</i>		24,204	24,204
		<b>92,685</b>	<b>115,512</b>
Relationships with customers			
COMGÁS	20.00%	313,694	375,119
Lubricants	6.00%	51,365	61,923
		<b>365,059</b>	<b>437,042</b>
Other			
Software licenses	20.00%	126,469	83,889
Other	15.00%	121,233	37,008
		<b>247,702</b>	<b>120,897</b>
		<b>16,596,398</b>	<b>9,582,417</b>

(i)

Refers to the intangible asset for the public gas distribution service concession, which represents the right to charge users for the supply of gas, comprised of: (i) the concession rights recognized in the business combination and (ii) concession assets;

(ii) Refers to the concession right agreement of ALL Malha Norte, which will be amortized until the end of the concession in 2079;

(iii) Refers to improvements made to the Federal Government rail under concession and operated by ALL until March 31, 2015, when ALL was acquired by the Rumo; and

(iv) Port operating license and customer relationships of Rumo, from the business combinations.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

**Impairment testing of cash-generating units goodwill**

The Company tests the recoverable amounts of goodwill arising from business combination transactions annually. Property, plant and equipment and definite life intangible assets, that are subject to depreciation and amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. For a better presentation, we segregate the analysis by segment as follows:

**Logistic**

During the year ended December 31, 2015, identified external indicators of impairment, such as increasing the basic interest rate and reduction in the market value of the Company's shares that led to conducting impairment testing. The Company did not identify internal factors that could lead to a test since the Company (i) has reached the operating results of its business plan, (ii) did not change the use of assets (ii) did not show obsolescence or physical damage to its assets and also (iii) showed no performance decline in assets. The Company's cash generating units coincide with its segments (i) Northern Operations, (ii) South Operations, and (iii) Container Operations.

The recoverable amount was determined using the discounted cash flow determined by management based on estimates that take into account the assumptions related to each business, using available market information, budget assumptions and past performance. Management understands it is adequate the utilization of periods longer than 5 years in the preparation of the discounted cash flows in order to reflect the estimated utilization of the assets during the concession period. In that context, two sets of discounted cash flows have been prepared considering: (i) cash flow for the current concession period and (ii) cash flows considering the concession renewals as contractually provided for. Management has initiated discussions with the granting power for the concession renewal of Malha Paulista and Malha Sul, and considers the renewals to be highly probable of occurring. This fact was considered in the probability allocation of the two sets of cash flows. If this assumption changes in the future as a consequence of a non-renewal, the carrying amount of the CGU South Operations may exceed its recoverable amount in the coming years.

The main assumptions used were (i) expectations of the Brazilian market of production of sugar, soybean meal and corn, destined mainly to the export volume, (ii) expectations related to rail freight rates, (iii) the ability to availability transport and port, and (iv) macro-economic conditions.

All these future cash flows were discounted at rates between 8-10% post tax (weighted average cost of capital), that reflect specific risks related to the relevant assets in its cash-generating unit. A change of 0.5 percentage point in the discount rate has an impact of about 7% on the estimated segments. The dollar has no significant impact on the projections and therefore the fluctuation of the exchange would have no significant effect on the estimated segments.

## Cosan Energia

The combined carrying amounts of goodwill allocated to cash generating units are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Cash-generating unit Lubricants	612,797	603,462
Cash-generating unit Other Businesses	43	43
	<b>612,840</b>	<b>603,505</b>

F-69

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

The recoverable amount is determined by reference to the value in use, determined by the discounted cash flows model, based on management's estimated budget information which takes into consideration assumptions related to each business, using market available information as well as previous performance, and the fair value less costs to sell. Discounted cash flows are estimated for a period of 10 years and in perpetuity assuming a real growth rate of zero. Management considers it is appropriate to estimate cash flows for a period longer than five years as this reflects the estimated period of use of the asset groups and businesses involved.

The main assumptions used consider the expected growth in operations based on expected segmented Gross Domestic Product GDP and other macroeconomic factors, as well as expected sales price of commodities, using discount rates that reflect specific risks related to business.

Future cash flows are discounted using discount rates by weighted average cost of capital of 12.9% (2014: 11.8%) that reflect specific risks related to the relevant assets in its cash-generating unit. A change of 0.5 percentage point in the discount rate has an impact of about 10% on the estimated segments. The dollar has no significant impact on the projections and therefore the fluctuation of the exchange would have no significant effect on the estimated segments.

The impairment test performed as of December 31, 2015 did not result in the need to recognize impairment losses on the carrying value of intangible assets or goodwill. The determination of the recoverability of assets depends on certain key assumptions, as described above, which are influenced by current market, technological and economic conditions. These tests are not indicative of future impairment losses and/or whether they would be material.

**19 Loans, borrowings and debentures**

Description	Index <sup>(i)</sup>	Interest	December 31, 2015	December 31, 2014	Maturity
		Annual interest <sup>(ii)</sup>			
<b>Loan and borrowings</b>					
BNDES	URTJLP	8.75%	2,851,793	13,231	Aug-2029
	Fixed	5.50%	1,016,225	307,230	Feb-2025
	TJ462	9.89%	809,660	834,565	Oct-2020
	Selic	16.20%	298,258	274,000	Oct-2020
	TJLP	9.82%	176,900	288,209	Oct-2018
	Selic	15.75%	5,595		Sep-2020
	Fixed	4.00%	4,684	3,420	Jan-2024
	IPCA	19.25%	4,152	3,483	Nov-2021
	URTJLP	10.85%	217	457,570	Jan-2017

Edgar Filing: Cosan Ltd. - Form 20-F

EIB	US\$+LIBOR	2.16%	869,014	691,463	Sep-2021
Foreign loans	LIBOR Sterling	3.95%	312,940	224,047	Dec-2019
FRN	US\$	2.63%	216,134		Jan-2017
ECN	112% of CDI	15.97%	406,805		Sep-2019
	109% of CDI	15.51%	304,644		Oct-2018
	US\$	3.40%	126,669		Jul-2016
Perpetual Notes	US\$	8.25%	1,976,673	1,344,760	
Resolution 4131	US\$	3.11%	477,705	29,338	Oct-2020
	US\$+LIBOR	2.40%	471,045	466,494	Mar-2018
	US\$+LIBOR	1.76%	406,348	266,006	Nov-2016

F-70



**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

Senior Notes Due 2018	Fixed	9.50%	875,376	874,494	Mar-2018
Senior Notes Due 2023	US\$	5.00%	2,009,296	1,352,796	Mar-2023
FINEP	Fixed	5.00%	137,133	165,032	Nov-2020
Trade banks	CDI + 3.50%p.a.	18.13%	205,781		Sep-2016
	CDI + 4.91% p.a.	19.74%	195,632		Jun-2019
	Fixed	20.98%	3,898		Jun-2016
Working capital	CDI + 2.50% p.a.	17.00%	388,203		Dec-2018
	US\$ + LIBOR	4.45%	100,121	133,185	Sep-2021
	CDI + 0.28% p.m.	18.03%	25,004		Dec-2016
	121.10% of CDI	17.37%	10,144		Nov-2016
	CDI + 1.43% p.a.	15.80%		85,628	
	CDI + 1.20% p.a.	15.50%		101,515	
	118% of CDI	16.89%	17,764	7,559	Apr-2016
			<b>14,703,813</b>	<b>7,924,025</b>	
<b>Debentures</b>					
Convertible debentures	URTJLP		2,592		Jun-2016
Non-convertible debentures	CDI + 2.05% p.a	8.58%	1,431,607		Apr-2018
	CDI + 1.30% p.a.	16.48%	775,228		Oct-2017
	IPCA	15.62%	594,157		Dec-2025
	108% of CDI	18.79%	526,285		Jul-2018
	IPCA	16.53%	484,246	447,386	Sep-2020
	Fixed	10.10%	161,175		Oct-2020
	CDI	15.17%	119,785	131,229	Sep-2019
	% of net revenue		30,315		Jun-2016
			<b>4,125,390</b>	<b>578,615</b>	
<b>Total</b>			<b>18,829,203</b>	<b>8,502,640</b>	
<b>Current</b>			<b>2,775,510</b>	<b>1,056,353</b>	
<b>Non-current</b>			<b>16,053,693</b>	<b>7,446,287</b>	

(i)

TJLP and URTJLP are long-term interest rates on BNDES (Brazilian National Economic and Social Development Bank) loans. Selic is the benchmark interest rate set by the Brazilian Central Bank. CDI is a benchmark interbank lending rate in Brazil. IPCA is a benchmark consumer price index.

(ii) As at December 31, 2015.

Non-current borrowings are scheduled to fall due as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
13 to 24 months	3,019,933	751,980
25 to 36 months	5,018,106	944,817
37 to 48 months	1,358,827	1,874,414
49 to 60 months	1,391,162	672,319
61 to 72 months	528,441	435,042
73 to 84 months	289,532	79,978
85 to 96 months	2,125,934	4,535
Thereafter	2,321,758	2,683,202
	<b>16,053,693</b>	<b>7,446,287</b>

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)*

***BNDES***

Refers to the financing of expansion of the gas distribution, logistic segment and are allocated to investments in property, plant and equipment and intangible assets. Such contracts have the Company's aval guarantee, bank guarantees and the transfer of fiduciary ownership of the goods described in the respective contracts.

***EIB – European Investment Bank***

Refers to loans denominated in U.S. Dollars, bearing interest at LIBOR, maturing in 2021 and secured by bank guarantees. The funds were used to expand and support the natural gas distribution network. Cross-currency interest rate swaps have been entered into to mitigate the Company's exposure to interest rate and foreign exchange risks for 89% of CDI.

***FINEP***

In November 2012, Cosan Biomassa S.A. obtained a bank loan of R\$ 89,694, maturing in January 2021. These loans are secured by bank guarantees. These funds will be used for the development, production and marketing plan of new industrial technologies for the processing of biomass derived from sugar cane or other sources.

***Foreign currency loans***

On December 22, 2014, Cosan Lubes Investment renegotiated its loan maturing in December 2019; including the grace period for the principal amount of two and a half years. The original loan was disbursed on June 29, 2012, for a principal amount of £ 54,000 thousand and was obtained in order to acquire control of Comma Oil and Chemicals Limited in July 2012.

***Export credit note – ECN***

The credit notes will be settled through export by transport confirmation of export product to be made until 2019. As a contract in the amount of US\$ 31,939 thousand, this is subject to exchange variation of the U.S. Dollar and annual fixed interest of 3.40%, with final maturity in July 2016 and bimonthly payments. The other contracts are subject to average interest rate of 15.77% for the CDI, payable semiannually and maturities for 2018 and 2019.

***Perpetual Notes***

On November 5, 2010 and July 13, 2011 Cosan Overseas Limited issued US\$ 500,000 thousand of perpetual notes in the international capital market under Regulation S, bearing annual interest of 8.25%, payable quarterly. Cross-currency interest rate swaps have been entered into to mitigate the Company's exposure to interest rate and

foreign exchange risks.

***Resolution 4,131***

Refers to funds raised abroad with several financial institutions, maturing by 2020, aiming to finance the Company's cash flow and controlled. To mitigate the risk of exchange and interest rate derivative instruments were contracted whose interest rate was changed to 84.3% of the CDI.

Company's agreements have financial covenants, with amounts of net debt by EBITDA, as well as short-term debt ratio for total debt.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)*

***Senior Notes Due in 2018***

On March 19, 2013, the Company issued Senior Notes in the international capital market under Regulation S and Rule 144A in the amount of R\$ 850,000, bearing annual interest of 9.5%, payable semiannually in September and March of each year.

***Senior Notes Due in 2023***

On March 14, 2013, the Company issued Senior Notes in the international capital market under Regulation S and Rule 144A in the amount of US\$ 500,000 thousand, bearing annual interest of 5%, payable semiannually in September and March of each year. During the term of this title, the Company must maintain the net debt divided by EBITDA.

***Bank debt Working capital***

On December 20, 2015, the Company entered into a loan in the amount of R\$ 393,100, with a cost of CDI + 2.5% p.a. maturing in December 2018. The proceeds from this transaction were used for early repayment of debt, and are guaranteed by a Secured Agreement.

***Debentures***

On December 21, 2015, the subsidiary COMGÁS conducted the 4<sup>th</sup> issue of simple debentures, amounting to R\$ 591,894, not convertible into shares, in three series, unsecured, without any additional warranty. The offering was registered in the Securities and Exchange Commission ( CVM ) pursuant to CVM Instruction 471 of August 8, 2008. The Company is required to maintain net debt ratios by EBITDA, as well as debt index short-term debt by the total.

On April 24, 2015, the subsidiary Rumo completed its first public issue of simple debentures, not convertible into shares, in a single series, with additional ALL's fiduciary guarantees. The debentures were distributed with restricted placement efforts and with waiver with the Securities and Exchange Commission ( CVM ), pursuant to Article 6 of CVM Instruction 476, of January 16, 2009. The covenants under similar conditions those described for loans also have their net debt to EBITDA ratio.

**Changes in loans, borrowings and debentures:**

At December 31, 2014	8,502,640
Acquisition	5,201,072
Payment	(5,097,051)

Monetary and exchange variations	3,566,701
Business combination	6,639,223
Other	16,618
<b>At December 31, 2015</b>	<b>18,829,203</b>

F-73

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

The carrying amounts of loans and borrowings are denominated in the following currencies:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Brazilian Real	11,863,258	3,994,551
US Dollar <sup>(i)</sup>	6,653,005	4,284,042
Pound Sterling	312,940	224,047
	<b>18,829,203</b>	<b>8,502,640</b>

(i) On December 31, 2015, all debts denominated in US Dollars have currency risk protection through derivatives (Note 34).

**Financial Covenants**

The Company and its subsidiaries are subject to certain restrictive financial covenants set forth in existing loans, financing and debentures agreements in relation to certain financial and non-financial indicators. Financial ratios are: (i) consolidated net debt / EBITDA; (ii) EBITDA / consolidated financial results (considers only interest on debentures, loans / financing and derivative activities); (iii) equity / net assets, being item (iii) applicable only to BNDES. Except for BNDES, whose measurement is required annually, a quarterly measurement is required on the reporting date, using the consolidated financial statements.

With the acquisition of ALL the Company initiated a process of discussion with the banks by setting new standards for the covenants. Except for BNDES, whose new net debt indicators / EBITDA and ICD are yet to be set, all other creditors have agreed to a ratio of up to 5.5x net debt / EBITDA. If the negotiations with BNDES require a lower leverage ratio, such ratio will be extended to all other creditors with equivalent covenants conditions. On December 31, 2015, quarterly financial covenants were met within the new established standards.

As BNDES has not set what will be the new metrics to the covenants, on December 29, 2015, the Company obtained a waiver of this institution as the declaration of early maturity.

As at December 31, 2015, the Company, its subsidiaries and joint ventures were in compliance with all debt financial covenants.

**20 Leases**

**Finance lease liabilities**

Finance lease liabilities are payable as follows:

	<b>Less than one year</b>	<b>Between one and five years</b>	<b>More than five years</b>	<b>Total</b>
Future minimum lease payments	715,517	1,192,763	287,920	2,196,200
Rolling stock	686,433	1,099,532	167,449	1,953,414
Terminal	24,197	87,480	120,471	232,148
Other	4,887	5,751		10,638
Interests	(175,902)	(226,959)	(51,638)	(454,499)
Rolling stock	(158,505)	(178,914)	(19,997)	(357,416)
Terminal	(16,458)	(47,970)	(31,641)	(96,069)
Other	(939)	(75)		(1,014)
<b>Present value of minimum lease payments</b>	<b>539,615</b>	<b>965,804</b>	<b>236,282</b>	<b>1,741,701</b>
<b>Current</b>				<b>539,615</b>
<b>Non-current</b>				<b>1,202,086</b>

F-74



**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

Leases have various expiration dates, the last maturing in June 2022. The amounts are updated annually by Brazilian market price index (Índice Geral de Preços do Mercado-IGPM) plus TJLP (Long-Term Interest Rate) or CDI.

**Operating leases**

As of December 31, 2015, the future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2015	December 31, 2014
<b>Future minimum lease payments</b>		
Less than one year	22,788	60,688
Between one and five years	24,364	274,310
More than five years	13,528	
	<b>60,680</b>	<b>334,998</b>

The rentals are recognized as expenses (Note 31) on a straight-line basis over the life of the respective agreement.

**21 Leases and concessions**

	Leases	Concessions	Total	Judicial deposits
<b>Payables</b>				
Malha Sul	39,157	26,749	65,906	
Malha Paulista		24,944	24,944	
	39,157	51,693	90,850	
<b>Court Discussion</b>				
Malha Paulista	1,174,138	1,559	1,175,697	116,510
Malha Oeste	899,369	58,328	957,697	18,060
	2,073,507	59,887	2,133,394	134,570

<b>Total</b>	<b>2,112,664</b>	<b>111,580</b>	<b>2,224,244</b>	<b>134,570</b>
<b>Current</b>			<b>20,205</b>	
<b>Non-current</b>			<b>2,204,039</b>	

F-75

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

The Company recognizes expenses related to operating lease and concession agreements on a straight-line basis during the term of the concession period. The amount recognized in non-current liabilities refers to the amounts that have not been paid due to discussions in court about agreement conditions and/or portions allocated during the grace period. The liabilities of leases and concessions equivalent to the corrected value of the options granted, net of payments effected to the reporting date.

The Company is challenging in court the economic and financial unbalance of certain leases and concession contracts.

In April 2004, ALL Malha Paulista filed an interlocutory injunction and subsequently Declaratory Action before the 21th Federal Court of Rio de Janeiro questioning the economic and financial unbalance of the Lease and Concession Agreements, due to the high disbursement incurred by the Company for the payment of labor judicial proceedings and other expenses involved, which are the responsibility of Rede Ferroviária Federal S.A., as expressed in the bidding documents.

ALL Malha Paulista required an injunction to suspend payment of installments of the concession and lease agreements, due and falling, and to offset the credit balance resulting from labor amounts paid by ALL with the amount charged by the Union. In April 2005, the injunction was granted, suspending the enforceability of installments for 90 days by determining the completion of expertise. In July 2005, the suspension was extended for another 90 days. In September 2005, the injunction was overturned by the Federal Court of Rio de Janeiro. In January 2006, the suspension of payment of installments was granted, by means of judicial deposit. The amount related to the lease installments was being deposited in court until October 2007, when the Company obtained a court order to replace the judicial deposits for bank guarantee. In October 2015, a decision was handed down that partially upheld the action recognizing the occurrence of economic and financial balance of the agreements, allowing the Company to perform the part of compensation of the amounts claimed in the match against presented debt. Nevertheless, the Company believes that all amounts discussed shall be offset against payables based in clauses 7 and 10 of the bidding documents.

Management, supported by the opinion of its legal counsel, assesses the chances of success as probable, but the financial liability remains recognized as it is a contractual obligation not yet discharged and still depend on offsetting with the Company's reimbursement rights.

ALL Malha Oeste also claiming the reestablishment of the economic-financial balance, lost by the cancellation of transportation contracts at the time of privatization, change in the regulatory environment and conditions set forth in the Privatization Tender additionally, the growth forecasts that defined the value of the business did not materialize. The lawsuit is filed with the 16th Federal Court of Rio de Janeiro. To proceed with the legal discussion, the Company offered government securities (Treasury Bills LFT) as an execution guarantee. In March 2008, the Company was authorized to replace the guarantee by a bank guarantee and in May 2008, the Company redeemed the treasury bills. In December 2014, a decision was handed down that upheld the action recognizing the occurrence of economic and

financial balance of the contracts, leaving now the expertise of definition to determine the amount of balance and related aspects. In December 2015, the replacement of guarantee letters presented by ALL with an insurance policy.

Management, supported by the opinion of its legal counsel, assesses the chances of success as probable, but the financial liability remains recognized as it is a contractual obligation not yet discharged and still pends offsetting with the Company's reimbursement rights.

F-76

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

**22 Commitments****a) Commitments for the acquisition of assets and regulatory targets**

With the postponement of the Five-Year Tariff Review 2014 as a result of the publications of Resolutions ARSESP 493 and 494, both of May 27, 2014, which approved the Tariff Review Process of Gas distribution companies in the State of São Paulo, defining event schedule , and the provisional adjustment of marketing margins of São Paulo Gas Company COMGÁS , there is no set regulatory commitment in December 31, 2015 and 2014.

**b) Gas purchase**

COMGÁS has take-or-pay purchase contracts, effective through December 2019, with gas suppliers which establish minimum daily purchases of gas volumes. Were the Company to consume a volume of gas below its contractual obligation, the Company would be required to pay for the shortfall between consumption and the required minimum contractual volumes; however, it could recover this credit (through consumption) over the remaining contract period. Amounts paid but not consumed by COMGÁS were recognized as Other non-current assets in the statement of financial position (2015: R\$ 205,725; 2014: R\$ 163,686).

**c) Regulatory assets (liabilities)**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Cost of gas to be recovered	114,076	243,713
Credits of taxes to be transferred	(3,910)	(1,120)
Adjustment to present value of taxes	192	61
Other	6,589	
	<b>116,947</b>	<b>242,654</b>
Opening balance	242,654	347,729
Closing balance	116,947	242,654
<b>Expense not recognized in the statement of profit and loss before income tax and social contribution</b>	<b>(125,707)</b>	<b>(105,075)</b>
Regulatory liabilities	(145,545)	(124,495)

Adjustment	26,111	26,359
Other	(6,273)	(6,939)
	<b>(125,707)</b>	<b>(105,075)</b>

The tariffs for the supply of gas to the different customer segments are authorized by the concession authority. In accordance with the terms of the Concession Agreement, the differences between the cost component of gas included in the tariffs charged to the customers and the actual cost of gas incurred are determined on a monthly basis and charged or credited to a regulation account (regulatory account).

F-77

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)*

Periodically, charges or credits in the tariffs are determined by the regulator with the objective of amortizing the amounts accumulated in this account.

The balance of this account is considered as an asset or as a liability, pursuant to the regulator's set of accounts and for income tax purposes. However, this account is not recognized under IFRS, because the respective balance is not considered as an asset or as a liability, as its realization or liquidation depends on further purchases by the Company's consumers. Therefore, the balances presented above are not recorded in these consolidated financial statements.

**d) Purchase of plastic packaging**

CLE has take-or-pay purchase contracts, effective through December 2017, with plastic packaging suppliers for lubricants oil which establish minimum revenue based on the combination of prices and volumes guaranteed to have minimum volume sales to ensure the recovery of the costs of industrial operation. There were no amounts paid and not consumed by the Company in recent years.

**23 Trade payables**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Natural gas suppliers	1,489,552	1,043,997
Materials and service suppliers	627,067	363,438
Fuels suppliers	3,535	
Judicial deposits <sup>(i)</sup>	(294,976)	(294,976)
Other	139,834	
	<b>1,965,012</b>	<b>1,112,459</b>
<b>Current</b>	<b>1,963,981</b>	<b>1,112,459</b>
<b>Non-current</b>	<b>1,031</b>	

- (i) The contracts for the supply of natural gas have their composite price built in two parts: a part that is indexed according to a basket of fuel oil in the international market and readjusted quarterly; and another part that is readjusted annually based on the domestic and/or American inflation. The cost of gas is practiced in R\$/m<sup>3</sup>, and the Bolivian gas is calculated at US\$/MMBTU, with correction by the monthly exchange rate variation.

On February 25, 2014, COMGÁS obtained a preliminary injunction against Petrobrás, which assured the Company the right to provide a deposit of the controversial monthly value due to Petrobrás, corresponding to the difference in prices between (i) the price in the TCQ Contract for the Supply of Gas signed between COMGÁS and Petrobrás and (ii) the price under the Firm Contract signed between Petrobrás and Gás Brasileiro Distribuidora S.A., whereas the obligation of equality assumed before the Petrobrás Group with the State Regulatory Agency ARSESP. Initially, the security was provided by bank deposits which, subsequently, after the preliminary injunction was granted by the STJ on November 6, 2014, were replaced by a letter of guarantee issued by a first-tier financial institution.

Therefore, the controversial values calculated based on the supply of gas from January to September 2014 were assured in a court decision upon a judicial deposit and the controversial values calculated found as of the supply of gas from October 2014 to September 2015 began to be secured by a bank guarantees. On December 31, 2015, the guaranteed value in the judicial deposit is R\$ 294,976 and the guaranteed value through surety is of R\$ 577,420.



**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

**24 Other taxes payable**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
ICMS State VAT	73,692	67,777
Tax Amnesty and Refinancing Program REFIS®	56,041	524,703
COFINS Revenue tax	23,080	18,702
INSS Social security	7,483	2,739
PIS Revenue tax	4,670	2,511
Other	39,901	25,874
	<b>204,867</b>	<b>642,306</b>
<b>Current</b>	<b>153,540</b>	<b>307,741</b>
<b>Non-current</b>	<b>51,327</b>	<b>334,565</b>

(i) Tax amnesty and refinancing program (REFIS) for the settlement of amounts due for qualifying Brazilian federal taxes.

In 2014, the Company opted to pay a significant portion of the debts under Law 11,941 / 2009, through a compensation action in the amount of R\$ 120,211, and obtaining interest penalty amnesty of R\$ 36,377 recognized as gain on settlement of REFIS, presented in Other expenses, net (Note 33).

The portion of R\$ 350,301 related to tax debits included in the Brazilian Government's tax amnesty and refinancing program ( Refis IV ), was offset with the respective recovery balance, as mentioned in Note 12.

**25 Income tax and social contribution**

a) Reconciliation of income and social contribution tax expenses:

	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>
Profit before taxes	874,128	686,308	539,180
Income tax and social contribution at nominal rate (34%)	(297,204)	(233,345)	(183,321)
<i>Adjustments to reconcile nominal to effective tax rate</i>			
Equity in earnings of investees (non-taxable income)	266,405	201,269	84,161
Compensation action	114,844		
Differences in tax rates on earnings / losses of overseas companies	24,699	5,421	(13,417)
Differences in tax rates on entities under Brazilian presumed profits tax regime	24,227	51,398	38,922
Tax profit of the activity (operating income)	20,219		
Stock options	(4,305)	(4,400)	(2,242)
Interest on capital (net received)	(10,375)	(13,380)	(15,292)
Non-deductible expenses (donations, gifts, etc.)	(30,878)	(19,232)	(3,859)
Tax losses not recorded	(95,752)	(8,195)	67,367
Write off of tax loss carryforwards Partial spin-off		(35,469)	
REFIS discounts granted		9,972	
Other	254	2,132	(11,513)
<b>Income tax and social contribution benefit (expense) current and deferred</b>	<b>12,134</b>	<b>(43,829)</b>	<b>(39,194)</b>
<b>Effective rate %</b>	<b>(1.39)</b>	<b>6.39</b>	<b>7.27</b>

(i) Refers to compensation action recognized when it appeared certain that an inflow of economic benefits (Note 2.3).

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

## b) Deferred income tax assets and liabilities:

		December 31, 2015		December 31, 2014	
	Basis	Income taxes (25%)	Social contribution (9%)	Total income taxes (34%)	Total income taxes (34%)
<b>Tax loss carry forwards</b>					
Income tax loss carry forwards	6,390,788	1,597,697		1,597,697	319,168
Social contribution tax loss carry forwards	6,447,435		580,269	580,269	116,578
<b>Temporary differences</b>					
Foreign currency losses	2,756,707	689,177	248,104	937,281	303,488
Provision for judicial demands	1,043,323	260,831	93,899	354,730	183,714
Impairment	1,030,367	257,592	92,733	350,325	
Business combination Property, plant and equipment	725,755	181,439	65,318	246,757	(36,594)
Tax deductible goodwill	380,019	95,005	34,202	129,207	298,102
Gains or losses on actuarial liabilities	305,353	76,338	27,482	103,820	87,594
Allowance for doubtful accounts	279,456	69,864	25,151	95,015	53,385
Regulatory asset	225,778	56,444	20,320	76,764	82,503
Profit sharing	95,079	23,770	8,557	32,327	11,345
Other temporary differences	12,739	3,185	21,303	24,488	(33,390)
Unrealized gain on sale of investments					(18,772)
Concession contract	(36,918)	(9,229)	(3,323)	(12,552)	15,057
Assets held for sale	(40,766)	(815)	(440)	(1,255)	(773)
Business combination Other fair value adjustments	(195,306)	(48,826)	(17,578)	(66,404)	(24,513)
Property, plant and equipment	(434,554)	(108,639)	(39,110)	(147,749)	(41,669)
Unrealized gains on derivatives instruments	(1,382,056)	(345,514)	(124,385)	(469,899)	(126,351)
Unrealized gains on investment properties	(2,015,231)	(40,305)	(21,764)	(62,069)	(74,801)
Gain on formation of joint ventures	(3,338,342)	(834,586)	(300,451)	(1,135,037)	(1,135,036)

Edgar Filing: Cosan Ltd. - Form 20-F

(-) Valuation allowance	(7,054,097)	(1,122,506)	(404,133)	(1,526,639)	
Business combination Intangible assets	(11,292,126)	(2,823,032)	(1,016,291)	(3,839,323)	(1,390,752)
Other	739,100	184,775	66,519	251,294	(113,393)
<b>Total net liability</b>		<b>(1,837,335)</b>	<b>(643,618)</b>	<b>(2,480,953)</b>	<b>(1,525,110)</b>
<b>Deferred income tax Assets</b>				<b>1,698,611</b>	<b>214,164</b>
<b>Deferred income tax Liabilities</b>				<b>(4,179,564)</b>	<b>(1,739,274)</b>
<b>Total net deferred taxes</b>				<b>(2,480,953)</b>	<b>(1,525,110)</b>

F-80

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

## c) Recoverability of deferred tax assets:

In assessing the recoverability of deferred tax assets, management estimates future taxable income and the timing of reversal of the temporary differences. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Under Brazilian tax law, tax loss carryforwards do not expire, however, their use is limited to 30% of annual taxable income.

At December 31, 2015, the Company expects to realize deferred taxes on loss carry forwards on income tax and social contribution as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
No later than 1 year	120,349	6,646
Later than 1 year and no later than 5 years	149,626	64,427
Later than 5 years	1,907,991	364,673
	<b>2,177,966</b>	<b>435,746</b>

## d) Changes in deferred income taxes, net:

At December 31, 2013	Net deferred tax liability	(1,466,434)
	Recorded through income	112,673
	Recorded through other comprehensive income	(19,073)
	Acquisition cost of the preferred shares in subsidiaries	18,450
	Use of tax loss carryforward REFIS	(173,559)
	Other	2,833
At December 31, 2014	Net deferred tax liability	(1,525,110)
	Recorded through income	188,611
	Recorded through other comprehensive income	5,262
	Business combinations	(1,148,848)
	Other	(868)

**At December 31, 2015 Net deferred tax liability**

**(2,480,953)**

F-81

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)***26 Provision for legal proceedings**

	Provision for legal proceedings		Judicial deposits	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Tax	441,674	343,038	377,435	319,444
Civil, regulatory and environmental	284,344	139,268	181,180	48,445
Labor	467,913	175,473	121,609	50,496
	<b>1,193,931</b>	<b>657,779</b>	<b>680,224</b>	<b>418,385</b>

Changes in provision for legal proceedings:

	Tax	Civil, regulatory and environmental	Labor	Total
Accruals	11,962	12,882	86,241	111,085
Write-off / Reversals	(89,581)	(9,303)	(49,147)	(148,031)
Transfers	(1,070)	(17,164)	(31,902)	(50,136)
Business combinations	10,837	6,842	4,724	22,403
At December 31, 2014	343,038	139,268	175,473	657,779
Accruals	25,833	29,176	52,684	107,693
Write-off / Reversals	(31,211)	(18,209)	(60,390)	(109,810)
Business combinations	72,449	105,496	280,630	458,575
Indexation and interest charges	31,565	28,613	19,516	79,694
<b>At December 31, 2015</b>	<b>441,674</b>	<b>284,344</b>	<b>467,913</b>	<b>1,193,931</b>

**Tax claims**

**a) Judicial claims deemed to be probable losses, fully accrued**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Compensation with FINSOCIAL <sup>(i)</sup>	255,022	241,739
State VAT ICMS credit <sup>(ii)</sup>	79,417	24,231
INSS Social security <sup>(iii)</sup>	57,916	47,449
PIS and COFINS	2,781	
IPI Excise tax credit NT	1,105	
Federal income taxes	329	
Other	45,104	29,619
	<b>441,674</b>	<b>343,038</b>

(i) During the period from October 2003 to November 2006, the Company, through its subsidiary CLE, offset the FINSOCIAL tax against several other federal taxes, based on a final court decision in September 2003 following a decision that challenged the constitutionality of the FINSOCIAL. No judicial deposits were made.

(ii) A considerable portion of the amount accrued as ICMS was paid in cash under the provisions of Decree N° 58,811 issued on December 27, 2012, which established the State of São Paulo Special Installment Program of ICMS (a.k.a. PEP-ICMS). The amounts that have been provisioned refer to tax assessments by the tax authorities related to several types of ICMS credits. Amongst them: (a) assessment notice related to ICMS payments for the purchase of raw materials which are considered for use and consumption, therefore, not eligible for compensation; (b) assessment, as sole obligor, for withholding of ICMS on tolling agreement from an agricultural partnership with Central Paulista Ltda. Açúcar e Alcool.

(iii) Mainly related to social security contributions, which are being challenged on the grounds of constitutionality. Judicial deposits have been made for the corresponding amounts.



**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reals – R\$, unless otherwise stated)

**b) Judicial claims deemed as possible losses, and therefore not accrued**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
ICMS – State VAT	1,904,253	1,572,934
Foreign financial operation <sup>(ii)</sup>	911,942	
Federal income taxes <sup>(iii)</sup>	886,178	751,495
PIS and COFINS – Revenue taxes <sup>(iv)</sup>	879,669	680,065
IRRF – Withholding tax <sup>(v)</sup>	792,104	656,087
INSS – Social security and other <sup>(vi)</sup>	577,686	530,223
IPI – Excise tax credit – Net	484,606	441,707
Goodwill ALL <sup>(viii)</sup>	446,535	
Penalties related to tax positions <sup>(ix)</sup>	258,391	
Compensation with IPI – IN 67/98 <sup>(v)</sup>	123,522	118,865
MP 470 – Tax installments <sup>(xi)</sup>	113,814	
Intermodal	76,914	
Stock option	57,554	
Financial transactions tax on loan	49,844	
Social security contributions	40,855	
Other	952,651	648,850
	<b>8,556,518</b>	<b>5,400,226</b>

(i) In summary, these demands relate basically:

tax assessments filed against the Company for unpaid ICMS and non-compliance with accessory obligations, in connection with the tolling services partnership with Central Paulista Açúcar e Alcool Ltda. in specified periods in 2006 and in 2007;

ICMS levied on the remittances for the export of crystallized sugar, which the Company understands are tax exempted. However, the tax authorities, classify crystallized sugar as a semi-finished product, therefore subject to ICMS;

ICMS withholding rate differences on the sale of ethanol to companies located in other states, which subsequently had their tax registrations revoked;

disallowance of ICMS tax credits on the sale of diesel fuel to customers engaged in the agro industrial business. The State Tax Administration understands that because the diesel fuel sold is for agricultural use, which is not Company's core business, ICMS cannot be offset;

F-83

---

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

ICMS payments on inventory differences arising from erroneous calculations by the State Tax Administration;

The State Tax Administration assessed the rail concessions for non-taxation of VAT (ICMS) on invoices for the provision of rail freight services for export. All assessments were contested, since there is a favorable position for taxpayers in the higher courts, based on the Federal Constitution and Complementary Law 87/1996; and

assessment from State Tax Administration of São Paulo on the grounds that the Company was not authorized to operate as a general warehouse in that state. The Company appealed at the administrative level. The Company is duly registered with the commercial registry with the corporate purpose of general warehouse, as well as being registered in the Federal Revenue Service and state tax authorities. At the time of the release of the state registration, the tax authorities allowed the Company's activities, including issuance of invoices.

- (ii) Tax assessment notices issued to require additional income tax, social contribution, PIS and COFINS, for the calendar years 2005 to 2008 as a result of the following alleged violations: (a) improper deduction from taxable income and social contribution calculation basis of financial costs arising from loans with foreign financial institutions, (b) improper exclusion from taxable income and social contribution calculation basis of financial income from securities issued by the Government of Austria and the Government of Spain (c) no inclusion, in the income tax and social contribution calculation basis, of gains earned in swap operations, and non-taxation of financial income resulting from these contracts by PIS and COFINS, (d) improper exclusion from taxable income and the social contribution calculation basis, using PIS and COFINS credits, (e) improper exclusion from taxable income and social contribution calculation using deferred taxes.
- (iii) In December 2011, the Company received an assessment notice claiming unpaid income and social contribution taxes for the period from 2006 to 2009. Such claim is based on the following: (a) tax benefits that arose from the deduction of goodwill amortization, (b) the offsetting of tax carry forwards and (c) taxes on revaluation differences of the property, plant and equipment. The Company filed its defense in January 2012 and has classified any potential loss as possible, consistent with the opinion of its legal advisors. The Company quantified such possible loss.

In June 2013, the Company received an assessment notice claiming unpaid income and social contribution taxes for the period from 2009 to 2011, corresponding to the deduction of goodwill amortization. The Company challenged this assessment and has classified any potential loss as possible, consistent with the position of its legal advisors. The Company has quantified the possible loss and a remote loss in relation to the payment of fines.

F-84

---

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

- (iv) Refers mainly to the reversal of PIS and COFINS credits, provided by Laws 10.637/2002 and 10.833/2003, respectively. Those reversals arise from a differing interpretation of the laws by the tax authorities in relation to raw materials. These discussions are still at the administrative level. There are also questions regarding the constitutionality of broadening the base of the PIS / COFINS conveyed by Law 9.718/98. The Supreme Court has already ruled on this issue, judging it unconstitutional.

Tax authorities assessed the ALL Malha Paulista for non-taxation of PIS and COFINS on revenues from mutual traffic and rite of passage billed against ALL Malha Norte. The chance of loss is considered possible as tax already has been collected by the concessionaire responsible for transporting from origin.

In 2012, ALL filed an application for refund of PIS and COFINS on fuels on the grounds that the amounts charged in the price exceeds the value of the actual credit. It turns out that tax authorities did not recognize the request for refund and imposed a fine for what they consider an improper request. ALL appealed and is awaiting an administrative decision on the issue.

- (v) In June 2013, the Company received an assessment notice issued for the payment of income tax withheld at source ( IRRF ). The withholding tax relates to an alleged capital gain arising from the acquisition of assets of companies located abroad. The Company presented its defense in July 2013 and, together with its legal advisors, rated the probability of loss as possible.
- (vi) The legal proceeding related to INSS payment with possible unfavorable outcome involve the following: (a) the legality and constitutionality questioning Normative Instruction MPS/SRP N° 03/2005, which restricted the constitutional immunity over social contributions on export revenues through direct sales, consistent with the manner exports made via trading companies are now taxed; (b) assessment of SENAR (Rural apprenticeship scheme) social contribution on direct and indirect exports, in which the tax authorities disregard the right to constitutional immunity; (c) assessment of social security contribution on internal market resale of merchandises or to third parties, which are not included in the calculation of the social security contributions tax basis these should only apply to gross revenue from production and not to acquired merchandise.
- (vii) Federal exercise VAT: SRF Normative Instruction no 67/98 approved the procedures adopted by industrial establishments which performed remittances without registration and payment of IPI, in relation to transfers of sugarcane carried out between July 6, 1995 and November 16, 1997 and of refined sugar between

January 14, 1992 and November 16, 1997.

F-85

---

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

- (viii) Tax assessment issued by the Brazilian Tax Authority in 2011 and 2013 against ALL Holding concerning:
  - (a) amortization expense disallowance based on future profitability, as well as financial expenses; and
  - (b) non-taxation of supposed capital gain on disposal of equity interest in a Company of the same group.
  
- (ix) The Company was assessed due to the disregard of the tax benefits of REPORTO (PIS and COFINS suspension), on the grounds that the locomotives and freight cars purchased in 2010 were used outside the limits area of the port. Therefore, the Company was assessed to pay PIS and COFINS, as well as an isolated fine corresponding to 50% of the value of acquired assets.
  
- (x) SRF Normative Instruction no. 67/98 allowed for the refunding of IPI tax payments for sales of refined sugar from January 14, 1992 through November 16, 1997. Consequently, the Company applied for the offsetting of amounts paid during the periods against other tax liabilities. However, the tax authorities denied its application for both the reimbursement and offsetting of these amounts. The Company has challenged this ruling in an administrative proceeding.
  
- (xi) The tax authorities rejected partially the installment requests for federal tax debts made by Malha Sul and Intermodal, arguing that the NOLs offered by the companies were not sufficient to discharge their existing debts. The probability of loss is considered possible, since the NOLs existed and were available for such use.

***Civil, labor, regulatory and environmental***

**a) Judicial claims deemed to be probable losses, fully accrued**

Civil refers mainly to compensation for material and moral damages, class actions for abstaining from straw burning sugarcane and execution of environmental nature.

Labor represent labor claims filed by former employees and employees of service providers who question, among others, payment of overtime, night and dangerous, job reinstatement, compensation for accidents at work and reimbursement of discounts from payroll, such as confederative and assistance contributions, union dues and other.

Regulatory mainly refers to fines and discussions with National Authority for Terrestrial Transport (ANTT).

Environmental these amounts derive from assessments made by the Environmental Sanitation Technology Company (CETESB-SP), Brazilian Institute of Environment and Natural Resources (IBAMA) and Environment Municipal Departments related to soil contamination and water by the overflow of products and non-compliance with conditions imposed by such operating license. In all cases, measures are being taken to reduce the existing liabilities, as well as repair and prevention measures.

F-86



**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

**b) Judicial claims deemed as possible losses, and therefore not accrued**

The main civil and labor lawsuits, for which the unfavorable outcome is considered possible, are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Civil	2,385,643	1,118,151
Labor	960,446	391,992
Regulatory	339,267	
Environmental	295,984	
	<b>3,981,340</b>	<b>1,510,143</b>

***Receivables from legal proceedings***

The Company recognized a gain of R\$ 69,951 in December 2013 and R\$ 318,358 in 2007, corresponding to a lawsuit filed against the Federal Government, claiming indemnification for the pricing of products, at the time when the industry was subject to government price control. Final judgment was passed in favor of the Company. A gain was recognized in profit or loss of the corresponding year, with a corresponding receivable in Other non-current assets .

According to recent court decisions during the year it was recognized the amount of R\$ 290,180 (net lawyer fees) related to another action described in Other operating income (expense), net , Note 33.

At December 31, 2015, the asset recorded for the indemnity lawsuit and corresponding provision for legal fees totaled R\$ 830,461 and R\$ 113,944 (R\$ 460,103 and R\$ 56,581 as at December 31, 2014), recorded in other assets and other liabilities respectively. The fair value of the asset is equivalent to the carrying amount.

**27 Preferred shareholders payable in subsidiaries**

On June 27, 2014, the Company executed an Investment Agreement with Fundo de Investimentos em Participações Multisetorial Plus II ( FIP Multisetorial ) and with Razac Fundo de Investimentos em Participações ( FIP Razac ). Pursuant to this agreement, FIP Multisetorial and FIP Razac subscribed and paid-in R\$ 2,000,000 of non-voting preferred shares issued by Cosan Investimentos e Participações S.A.

These preferred shares will be remunerated based on a formula designed to provide a return over 15 years equivalent to the CDI rate (14.14% and 11.57% for the year ended December 31, 2015 and 2014, respectively). In the event the

accumulated remuneration falls short of the minimum amount prescribed in the formula, as at April 30, 2021, the preferred shareholders will have a put against Cosan S.A. for an amount equivalent to the value of the initial investment plus interest based on the CDI less any CDI-indexed dividends paid.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

**28 Shareholders equity****a) Share capital**

As of December 31, 2015, Cosan Limited's share capital is composed of the following:

<b>Shareholders Common shares</b>	<b>Class A and / or BDRs</b>	<b>%</b>	<b>Class B1 shares</b>	<b>%</b>
Queluz Holdings Limited	5,241,111	3.01	66,321,766	68.85
Usina Costa Pinto S.A. Açúcar e Álcool			30,010,278	31.15
Gávea Investimentos Ltda.	21,167,463	12.14		
Skagen AS	16,120,419	9.25		
MSOR Participações S.A.	1,811,250	1.04		
Other	124,018,596	71.13		
<b>Total shares outstanding</b>	<b>168,358,839</b>	<b>96.56</b>	<b>96,332,044</b>	<b>100.00</b>
Treasury shares	5,996,502	3.44		
<b>Total</b>	<b>174,355,341</b>	<b>100.00</b>	<b>96,332,044</b>	<b>100.00</b>

On December 31, 2015, the capital authorized is US\$ 11,889 thousand, divided into 1,000,000,000 Class A Shares of par value US\$ 0.01 each and 188,886,360 Class B Shares or par value US\$ 0.01 each. The capital subscribed and paid by the Company is R\$ 5,328, which is composed of 174,355,341 book-entry shares of common stock without par value. There have been no changes to the number of shares issued during the periods presented.

Class B1 shares entitle the holder to 10 votes per share whereas Class A and BDRs shares are entitled to one vote per share.

**b) Treasury shares**

The Company holds 5,996,502 Class A treasury shares as of December 31, 2015 and 2014 with a market value of US\$ 3.69 per share at December 31, 2015 (US\$ 7.75 per share at December 31, 2014).



**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)***c) Other comprehensive (loss) income**

	<b>Comprehensive</b>	<b>Comprehensive</b>	<b>Comprehensive</b>	<b>Comprehensive</b>	<b>Comprehensive</b>	<b>Comprehensive</b>	<b>Comprehensive</b>
	<b>April 1,</b>	<b>(loss)</b>	<b>December 31,</b>	<b>(loss)</b>	<b>December 31,</b>	<b>(loss)</b>	<b>December 31,</b>
	<b>2013</b>	<b>income</b>	<b>2013</b>	<b>income</b>	<b>2014</b>	<b>income</b>	<b>2015</b>
Foreign currency translation effects	(180,147)	(42,891)	(223,038)	(75,408)	(298,446)	(169,904)	(468,350)
Gain (loss) on cash flow hedge in joint ventures and subsidiaries	49,810	(6,426)	43,384	(53,958)	(10,574)	(225,205)	(235,779)
Revaluation of investment properties reclassified from property, plant and equipment	190,735		190,735		190,735		190,735
Actuarial (losses) gain on defined benefit plan	(11,917)	28,009	16,092	31,012	47,104	(19,072)	28,032
Changes in fair value of available for sale securities	(16,557)	9,077	(7,480)	6,013	(1,467)	8,215	6,748
<b>Total</b>	<b>31,924</b>	<b>(12,231)</b>	<b>19,693</b>	<b>(92,341)</b>	<b>(72,648)</b>	<b>(405,966)</b>	<b>(478,614)</b>
<b>Attributable to:</b>							
Owners of the Parent	(58,908)	(25,979)	(84,887)	(80,731)	(165,618)	(312,589)	(478,207)
Non-controlling interests	90,832	13,748	104,580	(11,610)	92,970	(93,377)	(407)

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

**29 Earnings per share**

The calculation of basic earnings per share has been made by dividing the profit attributable to shareholders of the parent by the weighted-average number of ordinary shares outstanding during the year excluding ordinary shares purchased by the company and held as treasury shares (Note 28).

The calculation of diluted earnings per share has been made by dividing the profit attributable to shareholders of the parent, adjusted to assume conversion of all dilutive potential ordinary shares at subsidiaries by the weighted-average number of shares outstanding during the year excluding ordinary shares purchased by the company and held as treasury shares (Note 28). The Company's subsidiaries have two categories of potential dilutive effects: share options and put options. For the share options, a calculation is done to determine the effect of the dilution in the profit attributable to shareholders of the parent due the exercise of the share options at subsidiaries. For the put option, is assumed to have been converted into ordinary shares, and the profit attributable to shareholders of the parent is adjusted.

The following table sets forth the calculation of earnings per share for the year ended December 31, 2015 and 2014 and nine months period ended December 31, 2013 (in thousands of Brazilian Reais, except per share amounts):

	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>
Profit attributable to ordinary equity holders for basic earnings	459,790	171,006	122,618
Effect of dilution:			
Dilutive effect of subsidiary's stock option plan	(394)	(1,212)	(918)
Dilutive effect of put option	(15,601)	(15,601)	(15,601)
<b>Profit attributable to ordinary equity holders adjusted for the effect of dilution</b>	<b>443,795</b>	<b>154,193</b>	<b>106,099</b>
<b>Weighted average number of shares outstanding</b>	<b>264,690,883</b>	<b>264,690,883</b>	<b>264,690,883</b>
	R\$ 1.74	R\$ 0.65	R\$ 0.46

Basic earnings per share from continuing operations						
Diluted earnings per share from continuing operations	R\$	1.68	R\$	0.58	R\$	0.40

The non-controlling interests of the indirect subsidiary Brado have the right to exercise a liquidity option provided for in the shareholders' agreement signed on August 5, 2013. This option would exchange all Brado shares held by such minority shareholders by shares of ALL. The exchange ratio shall take into account the economic value for both Brado and ALL shares. At the Company's exclusive discretion, an equivalent cash payment is also possible.

ALL Malha Norte issued to BNDES Participações S.A., bonds convertible in to shares, remunerated at market rates, amounting to R\$ 2,592 on December 31, 2015, whose maturity date is June 2016.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

The stock option plan is out of money, so, the exercise price of the options granted is much higher than the average stock price during the period. These financial instruments have antidilutive effects in the periods presented.

**30 Gross sales**

	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>
Gross revenue from sales of products	10,092,099	9,702,960	7,133,290
Gross revenue from sales of services	4,402,867	1,000,065	845,100
Construction revenue	408,086	481,314	536,482
Indirect taxes and deductions	(2,444,801)	(2,122,035)	(1,636,658)
<b>Net sales</b>	<b>12,458,251</b>	<b>9,062,304</b>	<b>6,878,214</b>

**31 Costs and expenses by nature**

The expenses are presented in the statement of profit and loss by function. The reconciliation of income by nature/purpose for the year ended December 31, 2015 and 2014 and the nine month period ended December 31, 2013 are as follows:

	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>
Raw materials and consumables used	(6,062,912)	(4,767,550)	(3,533,382)
Employee benefit expense	(1,528,627)	(1,334,341)	(1,021,922)
Transportation expenses	(1,193,781)	(887,608)	(666,461)
Depreciation and amortization <sup>(i)</sup>	(1,129,727)	(662,196)	(424,580)
Leases and concessions expenses	(141,010)		
Selling expenses	(65,096)	(60,906)	(76,067)



Leases expenses	(18,135)		
Other	(364,713)	(251,275)	(226,715)
	<b>(10,504,001)</b>	<b>(7,963,876)</b>	<b>(5,949,127)</b>

Classified as:

	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>
Cost of sales	(8,663,635)	(6,413,720)	(4,878,229)
Selling	(900,728)	(881,543)	(603,965)
General and administrative <sup>(ii)</sup>	(939,638)	(668,613)	(466,933)
	<b>(10,504,001)</b>	<b>(7,963,876)</b>	<b>(5,949,127)</b>

(i) Excludes R\$ 16,600 presented as a deduction of net revenue (R\$ 16,913 for the year ended December 31, 2014 and R\$ 14,564 for the nine month period ended December 31, 2013).

(ii) Research and development expenses for the year ended December 31, 2015 was R\$ 821 (R\$ 4,969 for the year ended December 31, 2014 and R\$ 2,180 for the nine month period ended December 31, 2013).

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)***32 Financial results**

	<b>Twelve months ended December 31, 2015</b>	<b>Twelve months ended December 31, 2014</b>	<b>Nine months ended December 31, 2013</b>
<b>Cost of gross debt</b>			
Interest on debt	(1,406,482)	(717,904)	(415,992)
Exchange and monetary variations	(1,579,397)	66,944	(489,891)
Derivatives	1,272,427	167,979	282,396
Guarantees and warranties on debt	80,071	(21,310)	
	(1,633,381)	(504,291)	(623,487)
Income from financial investment	353,853	139,699	99,169
<b>Cost of debt, net</b>	<b>(1,279,528)</b>	<b>(364,592)</b>	<b>(524,318)</b>
<b>Other charges and monetary variations</b>			
Exchange and monetary variations	(58,173)	10,191	(10,542)
Monetary variation on leases and concessions agreements	(180,311)		
Monetary restatement and interest on leases	(117,589)		
Derivatives	21,925	1,640	(54,498)
Interest on other receivables	142,494	72,628	70,093
Interest on other liabilities	(582,004)	(130,151)	(135,646)
Bank charges	(125,495)	(119,165)	(45,193)
Other	13,953	(453,399)	(13,608)
	(885,200)	(618,256)	(189,394)
<b>Financial results, net</b>	<b>(2,164,728)</b>	<b>(982,848)</b>	<b>(713,712)</b>
<b>Reconciliation</b>			
Finance expense	(2,629,440)	(1,060,802)	(804,606)
Finance income	588,475	217,112	179,904
Foreign exchange losses, net	(746,058)	(300,521)	(324,495)

Derivatives	622,295	161,363	235,485
<b>Financial results, net</b>	<b>(2,164,728)</b>	<b>(982,848)</b>	<b>(713,712)</b>

F-92

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

**33 Other income (expense), net**

	Twelve months ended December 31, 2015	Twelve months ended December 31, 2014	Nine months ended December 31, 2013
Gains on compensation claims <sup>(i)</sup>	345,193		
Changes in the fair value of investment properties	51,073	131,697	121,543
Gain on settlement of REFIS liability	36,377	28,440	
Settlement of pre-existing relationship with business combinations	29,838		
Earthquake-related income	28,776	1,254	2,266
Rental income	2,791	399	519
Harbor operations gains	20	9,628	5,687
(Loss) gain on disposal of non-current assets	(6,096)	(10,836)	(7,788)
Provisions for legal proceedings	(58,956)	(51,347)	(94,571)
Cost related to internal organization and prospective acquisitions <sup>(ii)</sup>	(147,669)	(134,614)	
Other	19,715	4,139	48,616
	<b>301,062</b>	<b>(21,240)</b>	<b>76,272</b>

(i) Refers to compensation action recognized when it appeared certain that an inflow of economic benefits (Note 2.3).

(ii) Refers to costs incurred by the Company with lawyers, consultants, business advisors and other related services for certain reorganizations and prospective acquisitions.

**34 Financial instruments****Financial risk management****Overview**

The Company is exposed to the following risks related to the use of financial instruments:

Credit risk;  
Liquidity risk; and  
Market risk.

This note presents information about the exposure of the Company and its subsidiaries to the above risks, as well as the objectives of the Company's risk management policies, these policy and processes for the assessment and management of risks.

F-93

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

The carrying amount of financial assets and financial liabilities are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Assets</b>		
<b>Fair value through profit or loss</b>		
Exclusive funds	2,244,427	511,181
Investment securities	749,698	149,735
Derivate financial instruments	2,430,296	890,578
	<b>5,424,421</b>	<b>1,551,494</b>
<b>Loans and receivables</b>		
Cash and cash equivalents	1,261,397	1,138,159
Trade receivables	964,978	1,346,101
Receivables from related parties	296,574	250,884
Dividends receivable	12,064	36,130
Other trade receivables		440,180
	<b>2,535,013</b>	<b>3,211,454</b>
<b>Total</b>	<b>7,959,434</b>	<b>4,762,948</b>
<b>Liabilities</b>		
<b>Liabilities amortized cost</b>		
Loans, borrowings and debentures	13,895,414	5,991,887
Leases	1,741,701	
Advances on real state credits	285,006	
Trade payables	1,965,012	1,112,459
Other financial liabilities	236,698	
Payables to related parties	204,080	137,441
Contingent consideration	217,377	186,649
Dividends payable	39,934	33,354
Tax installments REFIS	56,041	524,703
Preferred shareholders payable in subsidiaries	2,042,878	1,926,888
	<b>20,684,141</b>	<b>9,913,381</b>
<b>Fair value through profit or loss</b>		

Loans, borrowings and debentures	4,933,789	2,510,753
Post-employment benefits	344,447	301,850
Derivative financial instruments	742,498	333,435
	<b>6,020,734</b>	<b>3,146,038</b>
	<b>26,704,875</b>	<b>13,059,419</b>

During the year there was no reclassification between categories, fair value through profit or loss, loans and receivables and liabilities at the amortized cost presented above.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)*

**Risk management structure**

The management has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The management, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken.

The usage of financial instruments in order to protect against these areas of volatility is determined through an analysis of the risk exposure that management intends to cover.

As at December 31, 2015 and 2014, the fair values relating to transactions involving derivative financial instruments to protect the Company's risk exposure were using observable inputs such as quoted prices in active markets, or discounted cash flows based on market curves, and are presented below:

	<b>Notional</b>		<b>Fair value</b>	
	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Exchange rate derivatives</b>				
Swap agreements		828,443		330,099
Forward agreements	2,058,190	178,127	46,247	21,250



Edgar Filing: Cosan Ltd. - Form 20-F

Options		2,202,425		(8,842)
	2,058,190	3,208,995	46,247	342,507
<b>Interest rate and exchange rate risk</b>				
Swap agreements (interest rate)	1,083,526	221,560	(107,230)	(40,330)
Cross currency interest rate swaps	4,629,948	1,659,904	1,748,781	254,966
	5,713,474	1,881,464	1,641,551	214,636
<b>Total financial instruments</b>			<b>1,687,798</b>	<b>557,143</b>
<b>Assets</b>			<b>2,430,296</b>	<b>890,578</b>
<b>Liabilities</b>			<b>(742,498)</b>	<b>(333,435)</b>

F-95

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

**Credit risk**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Cash and cash equivalents <sup>(i)</sup>	3,505,824	1,649,340
Trade receivables <sup>(ii)</sup>	964,978	1,346,101
Derivative financial instruments <sup>(iii)</sup>	2,430,296	890,578
Other trade receivables		440,180
Investment securities	749,698	149,735
Dividends receivable	12,064	36,130
	<b>7,662,860</b>	<b>4,512,064</b>

(i) The Company held cash and cash equivalents of R\$ 3,505,824 at December 31, 2015 (2014: R\$ 1,649,340). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated BB to AAA.

(ii) Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

The requirement for impairment is analyzed at each reporting date on an individual basis for major clients.

Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Management considers that the credit risk is covered by the allowance for doubtful accounts.

(iii) Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed on

an annual basis and may be updated throughout the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Company's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 19. The Company's maximum exposure for financial guarantees and financial derivative instruments are as below.

F-96

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

The credit risk on cash and cash equivalents, investment securities and derivative financial instruments are determined by rating instruments widely accepted by the market and are arranged as follows:

	December 31, 2015	December 31, 2014
AAA	1,473,089	997,915
AA	4,068,000	501,124
A	357,399	
BB	207,097	
BBB	580,233	
	<b>6,685,818</b>	<b>1,499,039</b>

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As mentioned in Note 1, Management has been working on measures to enable the Company to honor its Commitments.

The non-derivative financial liabilities of the Company sorted by due dates (based on undiscounted cash flows contracted) are as follows:

	December 31, 2015				December 31, 2014	
	Up to 1 year	1 2 years	3 5 years	More than 5 years	Total	Total
Loans, borrowings and debentures	(3,980,885)	(4,384,606)	(11,791,909)	(9,292,702)	(29,450,102)	(14,988,841)
Trade payables	(1,963,981)	(1,031)			(1,965,012)	(1,112,459)
Other financial liabilities	(236,698)				(236,698)	

Edgar Filing: Cosan Ltd. - Form 20-F

REFIS	(12,813)	(11,910)	(23,973)	(15,833)	(64,529)	(524,703)
Leases	(715,517)	(551,209)	(642,599)	(223,130)	(2,132,455)	
Advances on real estate credits	(138,869)	(138,869)	(104,821)		(382,559)	
	<b>(7,048,763)</b>	<b>(5,087,625)</b>	<b>(12,563,302)</b>	<b>(9,531,665)</b>	<b>(34,231,355)</b>	<b>(16,626,003)</b>

The Company has entered into an agreement with financial institutions that allow certain of its suppliers to anticipate payment of their receivables against the Company. Such operations are also known in the market as confirming or forfeiting. As of December 31, 2015, the consolidated balance anticipated by our suppliers with financial institutions was R\$236,697. All these operations were with Banco Itaú at an average interest rate of 15.96%. The average term of these operations, which are recorded at their present values at the interest rate previously mentioned, is three months.

***Market risk***

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

The Company uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Company seeks to apply hedge accounting to manage volatility in profit or loss.

**a) Foreign exchange risk**

As at December 31, 2015 and 2014, the Company and its subsidiaries had the following net exposure to the exchange rate variations on assets and liabilities denominated in Brazilian Reais:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Cash and cash equivalents	256,003	95,017
Trade receivables	18,227	25,323
Advances to suppliers	85,155	
Trade payables	(15,894)	
Loans, borrowings and debentures	(6,653,006)	(4,508,089)
Advances from clients	(1,701)	
Contingent consideration	(65,064)	(47,340)
Derivative financial instruments	6,688,138	4,868,899
<b>Foreign exchange exposure, net</b>	<b>311,858</b>	<b>433,810</b>

*Sensitivity analysis on changes in foreign exchange rates:*

The probable scenario was defined based on the U.S. Dollar market rates as at December 31, 2015, which determines the fair values of the derivatives at that date. Stressed scenarios (positive and negative effects, before tax effects) were defined based on changes of a 25% and 50% to the U.S. Dollar exchange rates used in the probable scenario.

Based on the financial instruments denominated in U.S. Dollars at December 31, 2015, the Company performed a sensitivity analysis by increasing and decreasing the exchange rate for R\$/US\$ by 25% and 50%. The probable scenario considers the estimated exchange rates at the due date of the transactions for the companies with functional currency Real (positive and negative, before tax effects), as follows:

**Exchange rate sensitivity analysis (R\$/US\$)**  
**December 31,**

	<b>2015</b>	<b>25%</b>	<b>50%</b>	<b>-25%</b>	<b>-50%</b>
At December 31, 2015	3.9048	4.8810	5.8572	2.9286	1.9524

F-98

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

Considering the above scenario the profit or loss would be impacted as follows:

Instrument	Risk factor	Balance	Variation scenario			
			25%	50%	-25%	-50%
Cash and cash equivalents	USD fluctuation	256,003	64,001	128,002	(64,001)	(128,002)
Trade receivables	USD fluctuation	18,227	4,557	9,114	(4,557)	(9,114)
Advances to suppliers	USD fluctuation	85,155	21,289	42,578	(21,289)	(42,578)
Trade payables	USD fluctuation	(15,894)	(3,974)	(7,947)	3,974	7,947
Exchange rate derivatives	USD fluctuation	2,058,190	520,585	1,041,169	(520,585)	(1,041,169)
Exchange rate and interest derivatives <sup>(i)</sup>	USD and CDI fluctuation	4,629,948	1,200,482	2,400,964	(1,200,482)	(2,400,964)
<b>Loans, borrowings and debentures</b>						
	USD fluctuation	(6,653,006)	(1,663,251)	(3,326,502)	1,663,251	3,326,502
Advances from clients	USD fluctuation	(1,701)	(425)	(851)	425	851
Contingent consideration	USD fluctuation	(65,064)	(16,266)	(32,532)	16,266	32,532
<b>Impacts on profit or loss</b>		<b>311,858</b>	<b>126,997</b>	<b>253,994</b>	<b>(126,997)</b>	<b>(253,994)</b>

(i) For sensitivity analysis, it is only considered exchange rate swaps for Notional.

**b) Interest rate risk**

The Company and its subsidiaries monitor the fluctuations in variable interest rates in connection with its borrowings, especially those that accrue interest using LIBOR, and uses derivative instruments in order to minimize variable interest rate fluctuation risks.

*Sensitivity analysis on changes in interest rates:*

A sensitivity analysis on the interest rates on loans and borrowings in compensation for the CDI investments with pre-tax increases and decreases of 25% and 50% is presented below:



<b>Exposure interest rate<sup>(i)</sup></b>	<b>Probable</b>	<b>December 31, 2015</b>			
		<b>25%</b>	<b>50%</b>	<b>-25%</b>	<b>-50%</b>
Cash and cash equivalents	452,524	113,131	226,262	(113,131)	(226,262)
Investment securities	105,268	26,317	52,634	(26,317)	(52,634)
Leases	(246,276)	(61,569)	(123,138)	61,569	123,138
Advances on real state credits	(19,950)	(10,075)	(20,150)	10,075	20,150
Interest rate derivatives	(107,230)	(68,646)	(121,488)	58,945	139,189
Loans, borrowings and debentures	(1,688,098)	(422,024)	(844,049)	422,024	844,049
<b>Impacts on profit or loss</b>	<b>(1,503,762)</b>	<b>(422,866)</b>	<b>(829,929)</b>	<b>413,165</b>	<b>847,630</b>

- (i) The CDI and TJLP indexes considered of 14.14% and 7.00%, respectively, were obtained from information available in the market.

***Financial instruments fair value***

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The cash and cash equivalents, accounts receivable, trade receivables, trade payables and other current liabilities approximate their carrying amount largely due to the short-term maturity of these instruments.

**Table of Contents**

**Cosan Limited**

**Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The market value of the Senior Notes Due 2018 and 2023 listed on the Luxembourg Stock Exchange (Note 19) is based on their quoted market price as of December 31, 2015, of 78.71% (88.74% on December 31, 2014) and 83.83% (99.38% at December 31, 2014), respectively, of the face nominal value at December 31, 2015.

The fair value of Perpetual Notes listed on the Luxembourg Stock Exchange (Note 19) is based on their quoted market price as December 31, 2015 of 79.64% (101% at December 31, 2014) of the face value of obligations at December 31, 2015.

The fair value of other loans and financing, the respective market values substantially approximate the amounts recorded due to the fact that these financial instruments are subject to variable interest rates (Note 19).

The fair values of the remaining of assets held for sale are derived from quoted market prices in active markets.

The Company and its subsidiaries enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with observable market data refer mainly to interest rate swaps and foreign exchange forward contracts.

The fair value of derivative financial instruments is determined using valuation techniques and observable market data. The valuation techniques applied more often include pricing models and swaps contracts, with a present value calculation. The models consider various data, including counterparty credit quality, spot exchange rates, forward curves of interest rates and curves of the commodity term rates.

The carrying amounts and fair value of financial assets and financial liabilities are as follows:

**Carrying amount**

	Assets and liabilities measured at fair value					
	December 31, 2015		December 31, 2014		December 31, 2014	
	December 31, 2015	December 31, 2014	Level 1	Level 2	Level 1	Level 2
<b>Assets</b>						
Exclusive funds	2,244,427	511,181		2,244,427		511,181
Investment securities	749,698	149,735		749,698		149,735
Derivate financial instrumnts	2,430,296	890,578		2,430,296		890,578
<b>Total</b>	<b>5,424,421</b>	<b>1,551,494</b>		<b>5,424,421</b>		<b>1,551,494</b>
<b>Liabilities</b>						
Loans, borrowings and debentures	(4,933,789)	(2,510,753)		(4,933,789)		(2,510,753)
Post-employment benefits	(344,447)	(301,850)		(344,447)		(301,850)
Derivative financial instruments	(742,498)	(333,435)		(742,498)		(333,435)
<b>Total</b>	<b>(6,020,734)</b>	<b>(3,146,038)</b>		<b>(6,020,734)</b>		<b>(3,146,038)</b>

F-100

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

***Hedge accounting Fair value***

Currently the Company has adopted the fair value hedge for some of its operations that both the hedging instruments and the hedged items are accounted for at fair value through profit or loss. Operations and accounting effects of this adoption are as follows:

	<b>Debt</b>	<b>Derivative</b>	<b>Total</b>
At December 31, 2014	1,827,251	(183,086)	1,644,165
Interest amortization	(113,855)	(83,997)	(197,852)
Fair value	809,376	(555,503)	253,873
<b>At December 31, 2015</b>	<b>2,522,772</b>	<b>(822,586)</b>	<b>1,700,186</b>

***Capital management***

The Company's policy is to maintain a robust capital base to promote the confidence of investors, creditors and the market, and to ensure the future development of the business. Management monitors that the return on capital is adequate for each of its businesses.

**35 Post-employment benefits**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Futura	48,414	23,048
Futura II	335	240
COMGÁS	295,698	278,562
	<b>344,447</b>	<b>301,850</b>

**Pension plan*****Defined contribution***

The Company provides defined contribution plans to all employees. The plan assets are held Futura plan (Futura II Supplementary Pension Entity) and COMGÁS Pension Plan 10AC. The Company and its subsidiaries do not have a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all of the benefits owed.

During the year ended December 31, 2015, an actuarial loss of R\$ 121 (R\$ 7 on December 31, 2014).

### **Actuarial obligation**

#### ***Defined benefit***

Defined benefit plan paid off, whose active participants have a paid-up benefit calculated in accordance with the regulation, which is being updated to the date of receipt by the plan of readjustment index, which leads the company to adopt such a provision the present value of benefits and that assisted participants receive annuity under the plan. The main actuarial risks are:

- (i) higher survival to that specified in mortality tables;
- (ii) the return on equity under the actuarial discount rate plus the accumulated IGP-DI; and
- (iii) real family structure of different retirees established hypothesis.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

*(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

The Company contributes to the following post-employment defined benefit plans:

**Futura:**

The subsidiary CLE sponsors the Futura Supplementary Pension Entity ( Futura ), formerly Previd Exxon Private Pension Entity, which has the main objective supplemental benefits, within certain limits established in the regulations of the Retirement Plan. This plan was amended to close it to new entrants and approved by the relevant authorities on May 5, 2011. During the year ended December 31, 2015, the amounts of contributions totaled R\$ 7,499 (R\$ 8,757 for the year ended December 31, 2014). The weighted average duration of obligation is 11.09 years.

**COMGÁS:**

Obligations relating to plans for post-employment benefits, which include health care, pension for death, incapability assistance and lifetime medical care.

The defined benefit pension plan is governed by the employment laws of the Brazil, which require final salary payments to be adjusted for the consumer price index upon payment during retirement. The level of benefits provided depends on the member's length of service and salary at retirement age. During the year ended December 31, 2015, the amounts of contributions totaled R\$ 16,250 (R\$ 14,672 for the year ended December 31, 2014). The weighted average duration of obligation is 12.2 years.

Details of the present value of the defined benefit obligation and the fair value of plan assets are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Actuarial obligation at beginning of the year	639,622	622,546
Current service cost	247	264
Interest expense	76,009	73,841
Actuarial (gain) loss arising from financial assumptions	(56,544)	3,879
Actuarial (gain) loss arising from experience adjustment	38,207	(21,173)
Benefits payment	(43,211)	(39,735)
<b>Actuarial obligation at the end of the year</b>	<b>654,330</b>	<b>639,622</b>

Edgar Filing: Cosan Ltd. - Form 20-F

Fair value of plan assets at beginning of the year	(334,331)	(281,142)
Interest income	(38,770)	(33,317)
Earnings on assets greater than discount rate	(7,387)	(36,178)
Contributions paid	(7,499)	(8,757)
Benefit payments	26,961	25,063
<b>Fair value of plan assets end of the year</b>	<b>(361,026)</b>	<b>(334,331)</b>
<b>Surplus for the year</b>	<b>293,304</b>	<b>305,291</b>
Asset ceiling effect	51,176	
<b>Net defined benefit liability</b>	<b>344,480</b>	<b>305,291</b>

F-102

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements***(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)*

Total expense recognized in profit or loss is as follow:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Current service cost	(247)	(264)
Interest expense	(37,239)	(40,524)
	<b>(37,486)</b>	<b>(40,788)</b>

Total amount recognized as accumulated other comprehensive income:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Actuarial (gain) loss arising from financial assumptions	56,544	(10,362)
Actuarial (gain) loss arising from experience adjustment	(38,207)	21,173
Earnings on assets greater than discount rate	7,388	36,178
Irrecoverable surplus change	(51,176)	
<b>Accumulated at the end of the year</b>	<b>(25,451)</b>	<b>46,989</b>

Plan assets are comprised of the following:

	<b>December 31, 2015</b>		<b>December 31, 2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Fixed income bonds	296,402	82.10	269,170	80.51
Variable-income securities	33,900	9.39	65,161	19.49
Other	30,723	8.51		
	<b>361,026</b>	<b>100.00</b>	<b>334,331</b>	<b>100.00</b>



Plan assets are comprised of financial assets with quoted prices in active markets and therefore are classified as Level 1 and Level 2 in the valuation hierarchy of fair value. The overall expected rate of return on plan assets is determined based on prevailing market expectations on that date, applicable to the period over which the obligation is to be settled.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

The main assumptions used to determine the benefit obligations of the Company are as follows:

	Futura		COMGÁS	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Discount rate	12.98%	11.92%	14.14%	12.78%
Inflation rate	5.30%	5.20%	6.50%	6.00%
Future salary increases	N/A	N/A	9.69%	9.18%
Increase in pension plans	5.30%	5.20%	6.50%	6.00%

The Company expects to make contributions for an amount of R\$ 47,731 in relation to its defined benefit plan and variable contribution plan in 2016.

**Sensitivity analysis**

A quantitative sensitivity analysis for significant assumption on the defined benefit obligation as at December 31, 2015 is, as shown below:

	Discount rate			
	Increase		Decrease	
	1%	0.50%	-1%	-0.50%
Futura		(29,387)		34,778
Futura II		(16)		18
COMGÁS			(14,834)	16,225

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in relation to previous years in the methods and assumptions used in preparing the sensitivity analysis.

**36 Share-based payment**

The Company grants to its executives the stock option plan, which is optional and the executives can use a portion of their profit-sharing amounts. The vesting period is time-based service rendered by the executives for the Company.

The plan includes shares issued by the Company up to the limit of 5% of the total stock, and its purpose is to: (i) attract, retain and motivate the beneficiaries, (ii) add value for shareholders, and (iii) encourage the view of entrepreneur of the business.

The plan is managed by the Board of Directors, within the limits established by the general guidelines of the plan and applicable legislation.

The exercise price of the options is determined by the Board of Directors and is equivalent to the average amount of the closing price of the share at the last thirty trading sessions of the BM&FBOVESPA, prior to the grant date, updated monthly by the variation of the Amplified Consumer Price Index ( IPCA ) between the grant date and the month prior to the option exercise notice by the beneficiary.

**Table of Contents****Cosan Limited****Notes to the consolidated financial statements**

(Amounts in thousands of Brazilian Reais R\$, unless otherwise stated)

The vesting period and share options outstanding at the end of the year are as follows:

Share option programs	Expected life (years)	Interest rate	Expected volatility	Number of instruments on December 31, 2015			Market price on grant date	Exercise price at December 31, 2015	Fair value at grant date R\$
				Granted	Exercisable options	Outstanding			
August 18, 2011 (A)	1 to 5	12.39%	31.44%	4,825,000	1,285,000	2,250,000	22.98	26.59	6,80
August 18, 2011 (B)	1 to 10	12.39%	30.32%	5,000,000	1,080,000	4,080,000	22.98	26.59	8,15
December 12, 2012	1 to 5	8.78%	31.44%	700,000	372,000	652,000	39.80	45.56	10.10
April 24, 2013	5	13.35%	27.33%	970,000		970,000	46.51	52.01	17,95
April 25, 2014	5	12.43%	29.85%	960,000		960,000	37.10	42.58	15,67
August 31, 2015	5	14.18%	33.09%	759,000		759,000	18.15	20.10	7.67
October 2, 2015	5	15.66%	62.94%	4,485,238		4,205,238	6.30	7.48	2.83
				<b>17,699,238</b>	<b>2,737,000</b>	<b>13,876,238</b>			

(i) The fair value of the employee share options has been measured using the Black-Scholes formula.

Expected exercise the expected timeframe for the exercise of the options was determined by considering the premise that executives exercise their options after the grace period.

Expected volatility The Company opted to use the historic volatility of their shares adjusted by volatility of competitors shares that operate in similar lines of business.

Expected dividends The dividends expected were calculated on the basis of the current market value on the grant date, adjusted by the average rate of return of capital to shareholders during the forecast period, and compared with to the book value shares. Expected dividends used in the Black-Scholes for the year was 3.8%.

Risk free interest rate the company considered the prime rate as the risk free interest rate traded at BM&FBovespa on the grant date and for the equivalent term of the option maturity.

The number and weighted-average exercise prices of share options under the share option programs were as follows:

	<b>Number of options</b>	<b>Weighted- average exercise price R\$</b>
At December 31, 2013	9,345,000	26.09
Granted	1,705,000	40.62
Share options exercised	(1,818,000)	(25.21)
Cancellation or settlements	(320,000)	
At December 31, 2014	8,912,000	30.09
Granted	5,244,238	9.31
Cancellation or settlements	(280,000)	
<b>At December 31, 2015</b>	<b>13,876,238</b>	<b>24.22</b>

For the year ended December 31, 2015, R\$ 12,661 (R\$ 12,924 on December 31, 2014 and R\$ 6,595 for the nine month period ended December 31, 2013) has been recognized as an expense related to the stock option plan. The options outstanding at December 31, 2015 had an exercise price in the range of R\$ 24.17 to R\$ 41.68 and a weighted-average contractual life of 3.9 years (2014: 2 years).