

Cosan S.A.

Consolidated financial statements as of
December 31, 2018



Contents

Report of independent registered public accounting firm	3
Consolidated statement of financial position	9
Consolidated statement of profit or loss	11
Consolidated statement of other comprehensive income	12
Consolidated statement of changes in equity	13
Consolidated statement of cash flows	15
Consolidated statement of value added	18
Notes to the consolidated financial statements	19



KPMG Auditores Independentes

Rua Arquiteto Olavo Redig de Campos, 105, 6º andar - Torre A

04711-904 - São Paulo/SP - Brasil

Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brasil

Telefone +55 (11) 3940-1500, Fax +55 (11) 3940-1501

www.kpmg.com.br

Independent Auditor's Report on the Individual and Consolidated Financial Statements

**To the Board of Directors and Shareholders of
Cosan S.A.**

São Paulo - SP

Opinion

We have audited the individual and consolidated financial statements of Cosan S.A. ("the Company"), respectively referred to as Parent and Consolidated, which comprise the statement of financial position as at December 31, 2018 the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of the Cosan S.A. as at December 31, 2018, and of its individual and consolidated financial performance and its cash flows individual and consolidated for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Unbilled revenue

See Note 17 to the individual and consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>On a monthly basis, the Company's subsidiary Companhia de Gás de São Paulo (Comgás) recognizes revenue from gas sales operations based on the measurement of its customers' consumption. This consumption measurement and its billing occurs in monthly cycles whose dates may differ from the monthly accounting closing dates.</p> <p>Unbilled revenue is recognized for that interval of time between the date of the last measurement and the end of the month based on an estimate that takes into account the volume of gas consumed per customer segment and its measurement based on the different applicable tariffs for each segment.</p> <p>The balance of unbilled revenue for the year ended December 31, 2018 is R\$ 430,596.</p> <p>Due to the relevance of the unbilled revenue balance and the judgment to estimate the allocation of the gas volume among the customer segments during the interval of time between the date of the last measurement and the end of the month, this matter was considered significant for our audit.</p>	<p>We evaluated the key controls for allocating the gas volume between customer segments during the interval of time between the date of the last measurement and the end of the month.</p> <p>We performed, among others, the following procedures:</p> <ol style="list-style-type: none"> Vouching test, based on sampling, of the information that was used by the Company's subsidiary as the basis for allocating the gas volume per customer segment. Recalculation of unbilled revenue by customer segment, including evaluation of the key assumptions used. Independent estimate of the allocation of the gas volume per customer segments considering the historical consumption at the end of the year and comparison to the estimated volume per segment calculated by the Company's subsidiary. Comparison of the tariffs used for valuation of revenue per customer segment, with the tariffs determined by the regulatory agency. Comparison of the average consumption assumption estimated by the Company's subsidiary with the actual average consumption referring to the billing of the subsequent cycle occurred in January 2019. Reconciliation of unbilled revenue balance with accounting records.

	<p>We have also considered if the disclosures made in the financial statements included the relevant aspects required by the applicable financial reporting frameworks.</p> <p>Based on the evidence obtained through the procedures summarized above, we considered that the unbilled revenue balance is acceptable in the context of the financial statements taken as a whole, for the year ended December 31, 2018.</p>
Recoverability of deferred income and social contribution taxes	
See Note 13 to the individual and consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>The Company's subsidiaries Cosan Lubrificantes e Especialidades S.A. recognized deferred tax asset related to temporary differences and tax loss carry-forward, which are considered recoverable based on the generation of future taxable profits.</p> <p>The estimated availability of future taxable profits requires judgment for the projections and interpretation of tax laws. The recoverable amount of the deferred tax assets recognized may vary significantly if different assumptions are applied to the projection of future taxable profits and to the capacity to use tax loss carry-forward, which may impact the deferred tax asset recognized in the individual and consolidated financial statements and at the effective tax rate of the period and the corresponding disclosures. For these reasons, this matter was considered significant for our audit.</p>	<p>We evaluated the key internal controls related to the preparation and review of the projection of future taxable profits, specifically the business plan and budget. We compared the budget approved for the previous year with the actual results incurred in order to confirm the reliability of the projections of future results. With the assistance of our corporate finance specialists, we evaluated the reasonableness of the main assumptions used to support the projection of future taxable profits, including growth and discount rates. Additionally, with the assistance of our tax specialists, we considered the appropriateness of the applying tax laws and tax deductions in calculating the deferred taxes. We also assessed whether the projections indicated sufficient future taxable profits against which the tax loss carry-forward and deductible temporary differences could be used, as well as the adequacy of the disclosures made in the individual and consolidated financial statements.</p> <p>Based on the evidence obtained from the procedures described above, we considered that the amount of deferred income tax and social contribution asset and the corresponding disclosures are acceptable in the context of the individual and consolidated financial statements taken as a whole, for the year ended December 31, 2018.</p>

Equity method on jointly-controlled entity

See Note 9 to the individual and consolidated financial statements.

The key audit matter

The Company has an indirect interest in the jointly-controlled entity Raízen Energia S.A., which operates in the production and trade of sugar, ethanol and cogeneration of energy, mainly produced from sugarcane bagasse. Due to the segment in which it operates, the valuation of biological assets is subject to a significant judgment involving: estimated harvest area, productivity forecast, discount rates, quantity and projected prices. Due to the relevance of the investment in Raízen Energia S.A. and due to the degree of judgment and estimates used in the valuation of biological assets, this matter was considered significant for our audit.

How the matter was addressed in our audit

We planned and communicated the scope of our work, discussed the risks of material misstatement and sent instructions to the auditors of the jointly-controlled entity. We held meetings with the auditors responsible for the jointly-controlled entity, and evaluated the work performed on the valuation of biological assets, the audit evidence obtained and the documentation of the experts involved in the audit of the jointly-controlled entity. We have analyzed the communications and reports submitted by the jointly-controlled entity's auditor, as well as the procedures performed and the conclusions reached, specifically the determination of materiality, the effect of uncorrected misstatements and audit procedures performed to address the risks. We also evaluated the adequacy of the disclosures made in the individual and consolidated financial statements.

As a result of the evidence obtained from the procedures described above we considered the balance of investment in joint-controlled entity and the amount of the equity pick-up recognized by the Company acceptable in the context of the individual and consolidated financial statements taken as a whole, for the year ended December 31, 2018.

Other matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2018, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and subsidiaries financial reporting process.

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 14, 2019

KPMG Auditores Independentes

CRC 2SP014428/O-6

(Original report in Portuguese signed by)

Rogério Hernandez Garcia

Contador CRC 1SP213431/O-5

**Consolidated statements of
financial position**
(In thousands of Brazilian Reais - R\$)

		Parent Company		Consolidated	
	Note	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Assets					
Cash and cash equivalents	5.1	928,077	144,005	2,696,947	3,150,328
Marketable securities	5.2	137,313	54,079	1,359,232	700,035
Trade receivables	5.3	-	-	1,128,304	918,423
Derivative financial instruments	5.9	45,680	105,489	178,545	317,102
Inventories	7	-	-	452,904	380,770
Receivables from related parties	5.5	248,210	31,571	70,083	55,597
Income tax receivable		115,359	165,054	217,495	257,097
Other current tax receivable	6	3,708	3,704	601,018	118,174
Dividends and interest on capital receivable		34,354	126,056	27,309	13,114
Other financial assets		454,449	1,686,718	454,449	1,686,718
Other current assets		109,100	123,070	403,259	182,690
Total current assets		2,076,250	2,439,746	7,589,545	7,780,048
Trade receivables	5.3	-	-	21,826	32,278
Deferred income tax and social contribution	13	-	-	494,498	474,804
Receivables from related parties	5.5	495,188	158,655	62,715	151,669
Other non-current tax receivable	6	40,261	38,926	54,698	80,763
Judicial deposits	14	354,554	283,041	508,398	434,412
Derivative financial instruments	5.9	938,034	458,876	1,337,337	735,003
Other non-current assets		90,227	73,732	113,429	380,162
Investments in associates	8	11,711,240	10,512,569	334,518	259,412
Investments in joint ventures	9	2,491,512	2,601,411	8,077,907	8,447,799
Property, plant and equipment	10.1	66,651	22,503	498,413	412,325
Intangible assets	10.2	3,182	5,214	9,696,476	9,350,598
Total non-current assets		16,190,849	14,154,927	21,200,215	20,759,225
Total Assets		18,267,099	16,594,673	28,789,760	28,539,273

The accompanying notes are an integral part of these financial statements.

**Consolidated statements of
financial position
(In thousands of Brazilian Reais - R\$)**

	Note	Parent Company		Consolidated	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Liabilities					
Loans, borrowings and debentures	5.6	-	-	1,161,203	1,611,547
Derivative financial instruments	5.9	-	-	3,880	966
Trade payables	5.7	4,509	3,713	1,472,203	1,805,385
Employee benefits payable		29,418	27,642	132,321	124,017
Income tax payables		13,952	531	28,242	19,007
Other taxes payable	12	110,507	198,569	209,878	382,150
Dividends payable		422,726	338,985	427,232	373,277
Payables to related parties	5.5	306,864	470,703	207,989	398,586
Other financial liabilities		-	-	117,997	90,725
Other current liabilities		39,646	34,265	233,273	185,731
Total current liabilities		927,622	1,074,408	3,994,218	4,991,391
Loans, borrowings and debentures	5.6	-	-	8,795,935	8,063,447
Preferred shareholders payable in subsidiaries		1,097,490	1,442,680	1,097,490	1,442,679
Derivative financial instruments	5.9	21,714	105,302	21,834	113,565
Other taxes payable	12	144,381	143,320	150,844	150,627
Provision for legal proceedings	14	306,351	314,791	848,515	846,122
Provision for uncovered liability of associates	8	75,273	92,823	-	-
Payables to related parties	5.5	5,329,245	3,463,476	-	-
Post-employment benefits	22	162	152	579,823	485,459
Deferred tax liabilities	13	186,682	273,168	1,740,380	1,611,867
Other non-current liabilities		249,464	237,883	637,588	536,851
Total non-current liabilities		7,410,762	6,073,595	13,872,409	13,250,617
Total liabilities		8,338,384	7,148,003	17,866,627	18,242,008
Shareholders' equity	15				
Share capital		4,418,476	3,999,075	4,418,476	3,999,075
Treasury shares		(627,913)	(114,413)	(627,913)	(114,413)
Capital reserve		391,174	699,820	391,174	699,820
Other equity		(95,994)	(55,646)	(95,994)	(55,646)
Profit reserve		5,842,972	4,917,834	5,842,972	4,917,834
Equity attributable to:					
Owners of the Company		9,928,715	9,446,670	9,928,715	9,446,670
Non-controlling interests	8.3	-	-	994,418	850,595
Total shareholders' equity		9,928,715	9,446,670	10,923,133	10,297,265
Total shareholders' equity and liabilities		18,267,099	16,594,673	28,789,760	28,539,273

The accompanying notes are an integral part of these financial statements.

Consolidated statement of profit or loss
(In thousands of Brazilian Reais - R\$, except earnings per share)

	Note	Parent Company		Consolidated	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net sales	17	-	-	10,299,099	7,670,777
Cost of sales	18	-	-	(7,694,386)	(5,045,884)
Gross profit		-	-	2,604,713	2,624,893
Selling expenses	18	-	-	(1,010,614)	(1,039,817)
General and administrative expenses	18	(110,358)	(127,224)	(632,058)	(597,430)
Other (expense) income, net	19	(48,943)	926,147	803,453	880,983
Operating expenses		(159,301)	798,923	(839,219)	(756,264)
(Loss) income before equity in earnings of investees and financial results		(159,301)	798,923	1,765,494	1,868,629
Interest in earnings of associates	8	2,103,917	1,109,844	41,291	12,930
Interest in earnings of joint ventures	9	(109,900)	(111,633)	946,282	985,090
Equity in earnings of investees		1,994,017	998,211	987,573	998,020
Finance expense		(403,163)	(691,178)	(1,125,613)	(1,728,300)
Finance income		263,338	377,302	897,876	728,598
Foreign exchange, net		(636,550)	(62,726)	(843,297)	(81,201)
Derivatives		604,322	185,659	738,841	182,509
Finance results, net	20	(172,053)	(190,943)	(332,193)	(898,394)
Profit before taxes		1,662,663	1,606,191	2,420,874	1,968,255
Income tax (expenses) benefits	13				
Current		(16,841)	(7,158)	(395,957)	(88,470)
Deferred		6,499	(283,709)	(121,166)	(369,255)
		(10,342)	(290,867)	(517,123)	(457,725)
Profit for the year		1,652,321	1,315,324	1,903,751	1,510,530
Total net income attributable to:					
Owners of the Company		1,652,321	1,315,324	1,652,321	1,315,324
Non-controlling interests		-	-	251,430	195,206
		1,652,321	1,315,324	1,903,751	1,510,530
Basic earnings per share from:					
Continuing operations	16	R\$4.1159	R\$3.1983	R\$4.1159	R\$3.1983
Diluted earnings per share from:					
Continuing operations	16	R\$4.1041	R\$3.1925	R\$4.1041	R\$3.1925

The accompanying notes are an integral part of these financial statements.

Consolidated statement other comprehensive income
(In thousands of Brazilian Reais - R\$)

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Profit for the year	1,652,321	1,315,324	1,903,751	1,510,530
Other comprehensive income (loss)				
Items that will never be reclassified to profit or loss				
Gain on share subscription of subsidiary	-	9,000	-	9,000
Actuarial loss on defined benefit plan	(46,347)	(13,107)	(79,953)	(24,121)
Taxes over actuarial loss on defined benefit plan	-	-	27,184	8,201
	(46,347)	(4,107)	(52,769)	(6,920)
Items that are or may subsequently be reclassified to profit or loss:				
Foreign currency translation effect	(1,116)	(25,035)	(1,907)	(25,035)
Gain (loss) on cash flow hedge in joint ventures	6,882	204,611	6,882	204,611
Changes in fair value of financial assets	-	4,176	-	4,176
Realization of fair value of investment property	233	-	233	-
	5,999	183,752	5,208	183,752
Total other comprehensive (loss) income, net of tax	(40,348)	179,645	(47,561)	176,832
Total comprehensive income	1,611,973	1,494,969	1,856,190	1,687,362
Total comprehensive income attributable to:				
Owners of the Company	1,611,973	1,494,969	1,611,973	1,494,969
Non-controlling interests	-	-	244,217	192,393
	1,611,973	1,494,969	1,856,190	1,687,362

The accompanying notes are an integral part of these financial statements.

Consolidated statement of changes in equity
(In thousands of Brazilian Reais - R\$)

	Common stock	Treasury share	Other capital reserve	Others equity components	Profit reserve				Profit reserve	Total	Non- controlling interest	Total equity
					Legal	Statutory reserve	Unrealized earning	Retained earning				
At January 1, 2017	3,824,648	(34,966)	956,318	(295,923)	284,960	2,963,532	171,021	1,096,016	-	8,965,606	1,826,733	10,792,339
Net income for the year	-	-	-	-	-	-	-	-	1,315,324	1,315,324	195,206	1,510,530
Other comprehensive income:												
Gain on cash flow hedge in joint ventures	-	-	-	204,611	-	-	-	-	-	204,611	-	204,611
Foreign currency translation effects	-	-	-	(25,035)	-	-	-	-	-	(25,035)	-	(25,035)
Gain on share subscription of an subsidiary	-	-	-	69,632	-	-	-	(60,632)	-	9,000	-	9,000
Actuarial loss on defined benefit plan	-	-	-	(13,107)	-	-	-	-	-	(13,107)	(3,130)	(16,237)
Change in fair value of financial assets	-	-	-	4,176	-	-	-	-	-	4,176	-	4,176
Total comprehensive income for the year	-	-	-	240,277	-	-	-	(60,632)	1,315,324	1,494,969	192,076	1,687,045
Contributions by and distributions to owners of the Company:												
Increase capital	174,427	-	(14,427)	-	(160,000)	-	-	-	-	-	-	-
Dividends - non-controlling interests	-	-	(13,120)	-	-	-	-	-	-	(13,120)	13,120	-
Share options exercised	-	-	33,135	-	-	-	-	-	-	33,135	-	33,135
Disposals of investments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(379,998)	-	-	(312,389)	(692,387)	(428,603)	(1,120,990)
Constitution legal reserve	-	-	-	-	65,766	-	-	-	(65,766)	-	-	-
Constitution statutory reserve	-	-	-	-	-	937,169	-	-	(937,169)	-	-	-
Redeem entity's shares	-	(79,447)	-	-	-	-	-	-	-	(79,447)	-	(79,447)
Share-based payment transactions	-	-	9,601	-	-	-	-	-	-	9,601	288	9,889
Total contributions by and distribution to owners of the Company	174,427	(79,447)	15,189	-	(94,234)	557,171	-	-	(1,315,324)	(742,218)	(415,195)	(1,157,413)
Transactions with owners of the Company												
Change of shareholding interest in subsidiary	-	-	(271,687)	-	-	-	-	-	-	(271,687)	(753,019)	(1,024,706)
Total transactions with shareholders	-	-	(271,687)	-	-	-	-	-	-	(271,687)	(753,019)	(1,024,706)
At December 31, 2017	3,999,075	(114,413)	699,820	(55,646)	190,726	3,520,703	171,021	1,035,384	-	9,446,670	850,595	10,297,265

The accompanying notes are an integral part of these financial statements.

Consolidated statement of changes in equity
(In thousands of Brazilian Reais - R\$)

					Profit reserve							
	Common stock	Treasury share	Other capital reserve	Others equity components	Legal	Statutory reserve	Unrealized earning	Retained earning	Profit reserve	Total	Non-controlling interest	Total equity
At December 31, 2017	3,999,075	(114,413)	699,820	(55,646)	190,726	3,520,703	171,021	1,035,384	-	9,446,670	850,595	10,297,265
Changes in the accounting policies adopted by the Company - Note 3.2	-	-	-	-	-	-	-	(6,420)	-	(6,420)	(1,280)	(7,700)
At January 1, 2018	3,999,075	(114,413)	699,820	(55,646)	190,726	3,520,703	171,021	1,028,964	-	9,440,250	849,315	10,289,565
Net income for the year	-	-	-	-	-	-	-	-	1,652,320	1,652,320	251,430	1,903,750
Other comprehensive income:												
Loss on cash flow hedge in joint ventures	-	-	-	6,882	-	-	-	-	-	6,882	-	6,882
Foreign currency translation effects	-	-	-	(1,116)	-	-	-	-	-	(1,116)	(791)	(1,907)
Actuarial loss on defined benefit plan	-	-	-	(46,347)	-	-	-	-	-	(46,347)	(6,422)	(52,769)
Change in fair value of financial assets	-	-	-	233	-	-	-	-	-	233	-	233
Total comprehensive income for the year	-	-	-	(40,348)	-	-	-	-	1,652,320	1,611,972	244,217	1,856,189
Contributions by and distributions to owners of the Company:												
Increase capital	419,401	-	(228,675)	-	(190,726)	-	-	-	-	-	-	-
Dividends - non-controlling interests	-	-	(7,926)	-	-	-	-	-	-	(7,926)	7,926	-
Share options exercised	-	94,432	(72,468)	-	-	-	-	-	-	21,964	-	21,964
Business combination	-	-	-	-	-	-	-	-	-	-	7,199	7,199
Dividends - Note 15	-	-	-	-	-	(137,610)	-	-	(392,426)	(530,036)	(126,871)	(656,907)
Constitution legal reserve - Note 15	-	-	-	-	82,616	-	-	-	(82,616)	-	-	-
Constitution statutory reserve - Note 15	-	-	-	-	-	1,177,278	-	-	(1,177,278)	-	-	-
Redeem entity's shares	-	(607,932)	-	-	-	-	-	-	-	(607,932)	-	(607,932)
Share-based payment transactions	-	-	8,174	-	-	-	-	-	-	8,174	345	8,519
Total contributions by and distributions to owners of the Company	419,401	(513,500)	(300,895)	-	(108,110)	1,039,668	-	-	(1,652,320)	(1,115,756)	(111,401)	(1,227,157)
Transactions with owners of the Company												
Change of shareholding interest in subsidiary	-	-	(7,751)	-	-	-	-	-	-	(7,751)	12,287	4,536
Total transactions with shareholders	-	-	(7,751)	-	-	-	-	-	-	(7,751)	12,287	4,536
At December 31, 2018	4,418,476	(627,913)	391,174	(95,994)	82,616	4,560,371	171,021	1,028,964	-	9,928,715	994,418	10,923,133

The accompanying notes are an integral part of these interim financial statements

Consolidated statement of cash flows
(In thousands of Brazilian Reais - R\$)

	Note	Parent Company		Consolidated	
		At December 31, 2018	At December 31, 2017	At December 31, 2018	At December 31, 2017
Cash flows from operating activities					
Profit before taxes		1,662,663	1,606,191	2,420,874	1,968,255
Adjustments for:					
Depreciation and amortization		5,980	6,832	569,711	596,687
Interest in earnings of subsidiaries	8	(2,103,917)	(1,109,844)	(41,291)	(12,930)
Interest in earnings of joint ventures	9	109,900	111,633	(946,282)	(985,090)
Loss on disposals assets		62	40	29,915	43,141
Share-based payment transactions		6,822	9,033	8,521	9,889
Provision for legal proceedings		27,626	72,816	34,546	116,551
Indexation charges, interest and exchange, net		195,157	265,654	576,450	1,159,201
Loss on compensation claims		-	-	-	-
Provisions for employee benefits		27,400	24,763	103,999	84,499
Allowance for doubtful accounts		-	-	16,542	19,640
Credit sales to third party		-	(1,039,966)	-	(1,039,966)
Indemnity	19	-	-	(726,000)	-
Credit Tax	6	-	-	(326,987)	-
Other		7,767	1,827	12,598	14,193
		(60,540)	(51,021)	1,732,596	1,974,070
Changes in:					
Trade receivables		-	-	(140,795)	(193,701)
Inventories		-	-	(32,488)	(47,874)
Other taxes, net		(18,677)	(5,471)	(506,306)	(134,961)
Related parties, net		(81,086)	(88,538)	(57,587)	(52,719)
Trade payables		(44)	(1,696)	588,772	210,923
Employee benefits		(28,450)	(24,462)	(105,045)	(84,749)
Provision for legal proceedings		(5,167)	(2,452)	(30,537)	(6,758)
Other financial assets		-	-	25,806	15,532
Judicial deposits		(37,764)	751	(27,992)	8,563
Cash received on sale of credit rights	5.4	1,340,000	233,570	1,340,000	233,570
Post-employment benefits		-	-	(34,904)	(30,617)
Other assets and liabilities, net		6,608	37,962	(57,706)	(98,370)
		1,175,420	149,664	961,218	(181,161)
Net cash generated by operating activities		1,114,880	98,643	2,693,814	1,792,909
Cash flows from investing activities					
Capital contribution in associates		(201,404)	(101,271)	(7,517)	(15,321)
Capital reduction of associates		70,560	-	-	-
Acquisition of subsidiary, net of cash acquired	8.2	-	-	(135,648)	(116,514)
Marketable securities		(70,188)	81,570	(616,106)	(288,354)
Cash received on sale of fixed assets, and intangible assets		-	-	1,817	1,097
Dividends received from associates		1,234,743	1,276,237	8,869	7,226
Dividends received from jointly controlled entity		112,017	197,210	1,292,127	1,346,460
Other financial assets		-	(321,048)	-	(321,048)
Acquisition of property, plant and equipment, intangible assets and investments		(48,492)	(6,528)	(631,560)	(408,489)
Net cash generated by (used in) investing activities		1,097,236	1,126,170	(88,018)	205,057

Consolidated statement of cash flows
(In thousands of Brazilian Reals - R\$)

Cash flows from financing activities

Loans, borrowings and debentures raised	5.6	-	-	647,928	912,642
Amortization of principal on loans, borrowings and debentures	5.6	-	-	(1,486,890)	(877,809)
Payment of interest on loans, borrowings and debentures	5.6	-	-	(611,968)	(568,156)
Derivative financial instruments		84,739	(260,201)	186,671	(256,423)
Capital payment		-	-	-	39,043
Related parties		(228,677)	(651,615)	-	-
Payments to redeem entity's shares	15	(607,932)	(79,447)	(607,932)	(79,447)
Non-controlling interest subscription		4,163	20,375	4,163	20,375
Acquisition of non-controlling interests		(256,006)	(833,306)	(256,006)	(833,306)
Dividends paid		(446,295)	(376,679)	(1,045,257)	(1,239,363)
Share options exercised		21,964	33,135	21,964	33,135
Net cash used in financing activities		(1,428,044)	(2,147,738)	(3,147,327)	(2,849,309)
Increase (decrease) in cash and cash equivalents		784,072	(922,925)	(541,531)	(851,343)
Cash and cash equivalents at beginning of period		144,005	1,066,930	3,150,328	3,990,930
Effect of exchange rate fluctuations on cash held		-	-	88,150	10,741
Cash and cash equivalents at end of period		928,077	144,005	2,696,947	3,150,328
Additional information					
Income tax paid		-	-	299,877	70,359

The accompanying notes are an integral part of these financial statements.

Non-cash transaction

- i. Capital increase in the amount of R\$ 419,401 through the use of the capital reserve of R\$ 228,675 and legal reserve of R\$ 190,726.
- ii. Intangible addition in the amount of R\$ 128,654 and accounts payable in the amount of R\$ 129,038 related to the new agreement entered into between Cosan Lubrificantes e Especialidades S.A. ("CLE") e a Exxon Mobil Lubricants Trading Company ("Exxon Mobil").
- iii. Recognition of tax assets related to the exclusion of ICMS in the tax basis of PIS and COFINS in the subsidiaries Companhia de Gás de São Paulo - ("Comgás") and CLE, in the amount of R\$ 420,229, of which R\$ 326,987 is recorded under "Extemporary tax credits" and R\$ 93,243 as "Interest, monetary and exchange variations, net", respectively.
- iv. Usually, the Company and its subsidiaries acquire assets with a term payment, and do not generate impacts on the statement of cash flows, for the year ended December 31, 2018 there were no impacts of this nature

Consolidated statement of cash flows
(In thousands of Brazilian Reais - R\$)

Disclosure of interest and dividends

- i. The Company discloses the dividends and interest on shareholders' equity received as cash flow from investing activities, with the purpose of avoiding distortions in its cash flows from operation activities.
- ii. Interest received or paid is classified as cash flow from financing activities, as it is considered to refer to the costs of obtaining financial resources.

Consolidated statement of value added
(In thousands of Brazilian Reals - R\$)

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Revenue				
Sales of products and services net of returns	-	-	13,817,583	9,696,735
Other operating (expense) revenue	(17,728)	1,007,455	(53,202)	(32,067)
Allowance for doubtful accounts	-	-	(14,917)	(19,640)
	(17,728)	1,007,455	13,749,464	9,645,028
Raw materials acquired from third parties				
Cost of goods sold and services rendered	-	-	(7,666,678)	(3,869,562)
Materials, energy, third party services, others	(77,126)	(127,683)	(613,213)	(640,721)
	(77,126)	(127,683)	(8,279,891)	(4,510,283)
Gross value added	(94,854)	879,772	5,469,573	5,134,745
Retention				
Depreciation and amortization	(5,980)	(6,832)	(569,711)	(596,687)
	(5,980)	(6,832)	(569,711)	(596,687)
Net value added	(100,834)	872,940	4,899,862	4,538,058
Value added transferred in				
Interest in earnings of subsidiaries	2,103,917	1,109,844	41,291	12,930
Interest in earnings of joint ventures	(109,900)	(111,633)	946,282	985,090
Finance income	263,430	500,235	916,243	686,226
	2,257,447	1,498,446	1,903,816	1,684,246
Value added to be distributed	2,156,613	2,371,386	6,803,678	6,222,304
Distribution of value added				
Employee benefits	43,646	59,365	519,858	450,276
Taxes and contributions	20,314	302,272	3,101,175	2,650,065
Finance expense	440,332	694,425	1,278,894	1,611,433
Non-controlling interests	-	-	251,430	195,206
Dividends	392,426	692,387	519,297	692,387
Profit for the year	1,259,895	622,937	1,133,024	622,937
	2,156,613	2,371,386	6,803,678	6,222,304

The accompanying notes are an integral part of these financial statements.

1 Operation

Cosan S.A. ("Company" or "Cosan") is a publicly traded company with its shares traded on the "Novo Mercado da B3 S.A. – Brasil, Bolsa, Balcão", or "B3", under the ticker symbol CSAN3, and has its headquarters in the city of São Paulo, Brazil. Cosan Limited is the controlling shareholder of Cosan, in which it holds 60.25% of its share.

On October 16, 2017, Shell Gas B.V., Integral Investments B.V. and Shell Brazil Holding B.V. ("Shell Brazil") exercised their put option on the shares issued by Comgás against Company, which transferred its 16.77% of Comgás share capital to Cosan Limited and received 17,187,937 shares issued by Cosan (4.21% share capital).

On March 19, 2018, we entered into a contract with ExxonMobil Lubricants Trading Company that grants our subsidiary "Moove" the exclusive rights to produce, import, distribute and sell in Brazil, Bolivia, Paraguay and Uruguay lubricants and other related products under the Mobil brand until November 30, 2038. This agreement shall enter into force on December 1, 2018.

On April 24, 2018, the joint venture Raízen Combustíveis S.A ("Raízen Combustíveis") and its subsidiary Raízen Argentina Holdings S.A.U. ("Raízen Argentina") entered into an agreement for the acquisition of the downstream business from Shell in Argentina, through the acquisition of 100% of the shares from Shell Compañía Argentina de Petróleo S.A. e da Energina Compañía Argentina de Petróleo S.A. ("Shell Argentina"). The acquisition process was concluded on October 1, 2018.

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

As disclosed to the market and disclosed in the interim financial information of September 30, 2018, there is no final decision or material impact on the Company's business from the "Controlled Margin" and "Dubai" Transactions. Accordingly, there are no facts that show that future penalties will occur that may have a material impact on the financial statements of Raízen Combustíveis. However, depending on the outcome and depending on the outcome of the cases, it is possible that, in the future, the operations will have an impact on the financial statements..

On December 21, 2018, subsidiary Cosan Lubes Investments Limited ("Cosan Lubes") and CVC Fund VII ("CVC") entered into an investment agreement in which there will be a contribution of R\$ 562,000 through the issuance of new common shares representing approximately 30% of Moove's capital. Moove will receive R\$ 434,000 of this total, in addition to a fair value of approximately R\$ 128,000 until 2021, once the targets agreed upon in the agreement have been met, without any change in the ownership interest. The transaction will be subject to the conditions precedent, including regulatory approvals, corporate restructuring and applicable bids.

2 Statement of compliance

This individual and consolidated financial information has been prepared and is being presented in accordance with accounting practices adopted in Brazil, which comprise the Brazilian Corporate Law, the Brazilian Securities and Exchange Commission (CVM) and the pronouncements of the Accounting Pronouncements Committee (CPC), as well as International Accounting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The presentation of the Individual and Consolidated Statement of Value Added (DVA) is required by Brazilian corporate law and the accounting

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

practices adopted in Brazil applicable to publicly-held companies. IFRS does not require the presentation of this statement. As a consequence, by IFRS, this statement is presented as supplementary information, without prejudice to the financial statements as a whole.

The relevant information of the financial statements, and only them, are being evidenced and correspond to those used by management in its management.

Certain amounts of the comparative balances in the statements of cash flows and in notes 4, 5, 5.10, 13, 14 and 15 were reclassified to improve the level of detail of the disclosures in these consolidated financial statements. These reclassifications had inconsequential impacts on the Company's consolidated financial statements.

These consolidated financial statements were authorized for issue by the Board of Directors on February 14, 2019.

3 Accounting policies

The accounting policies below are applied throughout the financial statements:

3.1 Functional and presentation currency

The consolidated financial statements are presented in Brazilian Reais, which is the functional currency of the Company and its subsidiaries and joint ventures, located in Brazil, since 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 (GBP).

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Transactions in foreign currencies are translated to the respective functional currencies of 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.

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 and presented in other comprehensive income (loss) 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.

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.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

The exchange rates of the Real (R\$) for the functional currencies of its subsidiaries in December 31, 2018 and 2017 are:

Currency	December 31, 2018	December 31, 2017
United States dollar (USD)	3,8748	3,3080
Pound Sterling (GBP)	4,9617	4,4714
Euro (EUR)	4,4390	3,9693

3.2 Use of judgments and estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively. 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:

- i. **Note 5.8** - Recognized fair value measurements
- ii. **Note 9** - Investments in joint ventures
- iii. **Notes 10.1 and 10.2** - Property, plant and equipment
- iv. **Note 11** - Commitments
- v. **Note 13** – Income tax
- vi. **Note 14** - Provision for legal proceedings
- vii. **Note 22** - Post-employment benefits
- viii. **Note 23** - Share-based payment

3.3 Changes in significant accounting policies

i. CPC 48 / IFRS 9 Financial Instruments

The Company applied IFRS 9 with the initial application date of January 1, 2018, retrospectively, except as described below:

- The Company has adopted the exception of not re-presenting comparative information from previous periods regarding the classification and measurement requirements (including impairment). Differences in the balances of financial assets and liabilities arising from the adoption of IFRS9 were recorded in retained earnings and reserves on January 1, 2018. Thus, the information presented for 2017 generally does not reflect the requirements of IFRS 9, but the requirements of CPC 38/IAS 39;
- Certain definitions were made based on the facts and circumstances existing at the date of initial application: i) determination of the business model in which a financial asset is held; ii) the designation and revocation of prior designations of certain financial assets and liabilities as measured at fair value through profit or loss; and
- All hedge relationship designations in accordance with CPC 38/IAS 39 existing as of December 31, 2017 meet the hedging criteria in accordance with CPC 48/IFRS 9 as of January 1, 2018 and are therefore designated as continuing hedge relationships.

The total impact on the Company's as at January 1, 2018 is as follows:

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

Assets	R\$
Trades receivables	R\$ (9,637)
Investments in joint ventures	R\$ (1,340)
Deferred tax	R\$ 3,277
Equity	
Retained earnings	R\$ 7,700

a) Classification and measurement

The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs, except those measured at amortized cost maintained within a business model with the objective of obtaining contractual cash flows that meet the “SPPI” criteria.

Financial debt instruments are subsequently measured at fair value through profit or loss, amortized cost or fair value through other comprehensive income.

The classification is based on two criteria: the Company’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding.

The Company started to recognize its financial assets at amortized cost for financial assets that are kept within a business model in order to obtain contractual cash flows that meet the “Principal and Interest” criteria. This category includes trade accounts receivable, cash and cash equivalents, receivables from related parties, other financial assets and dividends and interest on capital to be received. No changes in the financial asset were performed.

b) Impairment

The adoption changed the Company's accounting for impairment losses for financial assets by replacing incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The Company recognizes a provision for expected credit loss for its accounts receivable. The simplified standard approach is applied and the expected credit losses for the entire life of the asset are calculated. The Company has established a provisioning matrix that is based on the historical experience of credit loss of each business segment, adjusted for specific prospective factors for the debtors and for the economic environment.

The combined subsidiaries Raízen Energia and Raízen Combustíveis adopted an expected loss matrix considering the grouping of customers with similar default characteristics, by sales channel and internal rating. The initial net impact on the result in the adoption of the standard was a loss of R \$ 2,680 (R \$ 1,340 in the equity method of Cosan S.A.).

c) Hedge accounting

The Company applied the changes of hedge accounting prospectively. At the date of initial application, all of the Company's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with previous periods, the Company continued to designate the change in the fair value of the entire forward contract in the Company's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Company's consolidated financial statements.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Previously, all gains and losses arising from the Company's cash flow hedge relationships were eligible to be subsequently reclassified to income. Therefore, after the adoption of IFRS 9, the net cash flow hedge gain or loss was presented under "Other comprehensive income not being reclassified to profit or loss."

ii. CPC 47 / IFRS 15 Revenue from Contracts with Customers

The Company has adopted the retrospective method with cumulative transitional effect. In summary, the following adjustments were made to the amounts recognized in the balance sheet at the date of initial application:

	<u>IAS 18</u>	<u>reclassification</u>	<u>IFRS 15</u>
Other non-current assets (agreements non-current assets)	-	8,346	8,346
Intangible assets	8,346	(8,346)	-

The subsidiary CLE pays a commission fee to the customer in order to obtain a new contract. In most cases, these payments are associated with a volume acquired by the customer and are treated as a cost of sales. On December 31, 2018, the incremental costs of obtaining a contract and costs to fulfil a contract was R\$ 73,585.

In the comparative period, such commission fees were recognized as selling expenses when incurred in the amount of R\$ 82,941.

4 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. Cosan evaluates the performance of its operating segments

based on the measure of Earnings Before Interest Tax, Depreciation and Amortization ("EBITDA").

Reported 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 Shell brand throughout Brazil and in petroleum refining, fuel distribution, the operation of fuel resellers, the manufacture and sale of automotive and industrial lubricants, and manufacturing and marketing of liquefied petroleum gas throughout Argentina;
- iii. **Comgás:** distribution of piped natural gas to part of the State of São Paulo to customers in the industrial, residential, commercial, automotive and cogeneration sectors; and
- iv. **Moove:** Production and distribution of lubricants under the Mobil licensed trademark in Brazil, Bolivia, Uruguay, Paraguay, Argentina and Europe market through its indirect subsidiaries CLE, Stanbridge Group Limited ("Stanbridge"), TTA - SAS Techniques & Technologie Appliquees ("TTA"), Lubrigrupoll, S.A. ("Lubrigrupo II"), Cosan Lubrificantes S.R.L ("Cosan S.R.L"), and Moove Lubricants Limited ("Moove Lubricants") previously named as "Comma Oil & Chemicals Ltd." under the Comma's brand to the Europe and Asian market and corporate activities.

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

Reconciliation:

- i. **Cosan Corporate:** digital wallet platform, other investments, in addition to the corporate activities of the Company. The Cosan Corporate 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, senior management continues to review segment information. A reconciliation of these segments is presented in the column “Deconsolidation of joint ventures.”

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

December 31, 2018

	Reported segments					Reconciliation		Segment elimination	Consolidated
	Raízen Energia	Raízen Combustíveis Brazil	Argentina	Comgás	Moove	Cosan Corporate	Deconsolidated effects		
Statement of profit or loss:									
Gross sales	21,296,564	85,793,511	4,497,337	8,695,208	4,381,188	9,273	(111,587,412)	(25)	13,085,644
Domestic market	16,271,074	83,350,683	4,497,337	8,695,208	4,242,819	995	(104,119,094)	(25)	12,938,997
External market	5,025,490	2,442,828	-	-	138,369	8,278	(7,468,318)	-	146,647
Net sales	19,798,546	81,960,154	3,243,937	6,840,011	3,449,949	9,164	(105,002,637)	(25)	10,299,099
Cost of sales	(18,136,443)	(78,223,747)	(3,074,701)	(4,901,715)	(2,781,084)	(11,612)	99,434,891	25	(7,694,386)
Gross profit	1,662,103	3,736,407	169,236	1,938,297	668,865	(2,449)	(5,567,746)	-	2,604,713
Selling expenses	(768,831)	(1,378,292)	(128,443)	(613,046)	(393,317)	(4,251)	2,275,566	-	(1,010,614)
General and administrative expenses	(664,690)	(479,848)	(46,400)	(367,670)	(132,336)	(132,052)	1,190,938	-	(632,058)
Other income (expenses), net	570,343	455,250	11,566	763,609	2,391	37,453	(1,037,159)	-	803,453
Equity in earnings of associates	-	(9,953)	-	-	(349)	1,117,712	9,953	(1,076,072)	41,291
Equity in earnings of joint ventures	22,139	1	-	-	-	946,282	(22,140)	-	946,282
Financial results	(318,335)	(445,909)	(7,692)	78,773	(27,279)	(383,687)	771,936	-	(332,193)
Finance expense	(968,066)	(460,734)	(12,818)	(504,071)	(35,157)	(586,385)	1,441,618	-	(1,125,613)
Finance Income	583,546	206,718	5,686	581,181	9,928	306,767	(795,950)	-	897,876
Foreign exchange losses, net	(90,780)	(763,008)	(560)	(93,780)	(26,875)	(722,642)	854,348	-	(843,297)
Derivatives	156,965	571,115	-	95,443	24,825	618,573	(728,080)	-	738,841
Income tax (expense)benefit	9,007	(443,136)	(8,221)	(540,995)	(49,439)	73,311	442,350	-	(517,123)
Profit (loss) from continuing operations	511,736	1,434,520	(9,954)	1,258,968	68,536	1,652,319	(1,936,302)	(1,076,072)	1,903,751
Net income attributable to:									
Owners of the Parent	507,580	1,386,362	(9,953)	1,008,191	67,883	1,652,319	(1,883,989)	(1,076,072)	1,652,321
Non-controlling interests	4,156	48,158	-	250,777	653	-	(52,314)	-	251,430
	511,736	1,434,520	(9,953)	1,258,968	68,536	1,652,319	(1,936,303)	(1,076,072)	1,903,751
Other select data:									
Depreciation and amortization	2,147,455	191,114	76,140	464,517	91,972	13,221	(2,414,709)	-	569,711
EBITDA	2,968,519	2,514,679	82,099	2,185,707	237,226	1,975,916	(5,565,297)	(1,076,072)	3,322,777
Additions to PP&E, intangible and biological assets	2,573,428	258,066	136,725	531,739	47,346	52,475	(2,968,219)	-	631,560
Reconciliation of EBITDA:									
Profit (loss) from continuing operations	511,736	1,434,520	(9,954)	1,258,968	68,536	1,652,319	(1,936,302)	(1,076,072)	1,903,751
Income tax and social contribution	(9,007)	443,136	8,221	540,995	49,439	(73,311)	(442,350)	-	517,123
Financial results, net	318,335	445,909	7,692	(78,773)	27,279	383,687	(771,936)	-	332,193
Depreciation and amortization	2,147,455	191,114	76,140	464,517	91,972	13,221	(2,414,709)	-	569,710
EBITDA	2,968,519	2,514,679	82,099	2,185,707	237,226	1,975,916	(5,565,297)	(1,076,072)	3,322,777

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

December 31, 2017

	Reported segments					Reconciliation		
	Raízen Energia	Raízen Combustíveis	Comgás	Moove	Cosan Corporate	Deconsolidated effects	Segment eliminations / adjustments	Consolidated
Statement of profit or loss:								
Gross sales	14,060,676	75,681,280	7,097,156	2,843,969	4,285	(89,741,956)	(43)	9,945,367
Domestic market	7,903,059	74,080,815	7,097,156	2,787,145	4,285	(81,983,874)	(43)	9,888,543
External market	6,157,617	1,600,465	-	56,824	-	(7,758,082)	-	56,824
Net sales	13,152,678	72,789,148	5,537,857	2,129,522	3,441	(85,941,826)	(43)	7,670,777
Cost of sales	(10,907,652)	(68,875,292)	(3,492,375)	(1,545,657)	(7,896)	79,782,945	43	(5,045,884)
Gross profit	2,245,026	3,913,856	2,045,482	583,865	(4,454)	(6,158,882)	-	2,624,893
Selling expenses	(803,157)	(1,345,847)	(652,901)	(386,705)	(211)	2,149,004	-	(1,039,817)
General and administrative expenses	(618,064)	(455,743)	(344,990)	(94,002)	(158,438)	1,073,807	-	(597,430)
Other (expense) income, net	(107,953)	312,187	(26,422)	(3,679)	911,084	(204,234)	-	880,983
Interest in earnings of associates	(54,544)	-	-	(7,665)	402,349	54,544	(381,754)	12,930
Interest in earnings of joint ventures	-	-	-	-	985,090	-	-	985,090
Financial results	129	(359,767)	(225,541)	(54,370)	(618,483)	359,638	-	(898,394)
Finance expense	(905,213)	(251,038)	(623,924)	(46,250)	(1,058,126)	1,156,251	-	(1,728,300)
Finance income	681,362	134,904	398,758	17,805	312,035	(816,266)	-	728,598
Foreign exchange losses, net	(54,866)	(105,513)	(11,501)	(7,478)	(62,222)	160,379	-	(81,201)
Derivatives	278,846	(138,120)	11,126	(18,447)	189,830	(140,726)	-	182,509
Income tax (expense) benefit	(78,937)	(615,806)	(235,972)	(20,141)	(201,612)	694,743	-	(457,725)
Profit (loss) from continuing operations	582,500	1,448,880	559,656	17,303	1,315,325	(2,031,380)	(381,754)	1,510,530
Total net income attributable to:								
Owners of the Company	582,500	1,389,260	364,451	17,303	1,315,325	(1,971,761)	(381,754)	1,315,324
Non-controlling interests	-	59,620	195,205	-	-	(59,619)	-	195,206
	582,500	1,448,880	559,656	17,303	1,315,325	(2,031,380)	(381,754)	1,510,530
Other selected data:								
Depreciation and amortization	2,131,088	635,920	496,755	82,898	17,034	(2,767,008)	-	596,687
EBITDA	2,792,396	3,060,373	1,517,924	174,712	2,152,454	(5,852,769)	(381,754)	3,463,336
Additions to PP&E, intangible and biological assets	2,226,162	853,975	352,958	48,612	6,919	(3,080,137)	-	408,489
Reconciliation of EBITDA:								
Profit (loss) from continuing operations	582,500	1,448,880	559,656	17,303	1,315,325	(2,031,380)	(381,754)	1,510,530
Income tax and social contribution	78,937	615,806	235,972	20,141	201,612	(694,743)	-	457,725
Financial result, net	(129)	359,767	225,541	54,370	618,483	(359,638)	-	898,394
Depreciation and amortization	2,131,088	635,920	496,755	82,898	17,034	(2,767,008)	-	596,687
EBITDA	2,792,396	3,060,373	1,517,924	174,712	2,152,454	(5,852,769)	(381,754)	3,463,336

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	Reported segments						Reconciliation	December 31, 2018	
	Raízen Energia	Raízen Combustíveis		Comgás	Moove	Cosan Corporate	Deconsolidated effects	Segment elimination	Consolidated
		Brazil	Argentina						
Statement of financial position:									
Cash and cash equivalents	2,437,571	864,105	490,960	602,618	206,702	1,887,627	(3,792,636)	-	2,696,947
Marketable securities	-	-	-	1,124,723	13,033	221,476	-	-	1,359,232
Trade receivables	1,061,297	2,747,503	372,202	695,147	446,645	8,338	(4,181,002)	-	1,150,130
Derivative financial instruments	1,956,616	639,976	-	368,928	29,976	1,116,978	(2,596,592)	-	1,515,882
Inventories	3,618,573	2,078,003	1,284,087	65,259	385,901	1,744	(6,980,663)	-	452,904
Other financial assets	516,519	-	-	-	-	454,449	(516,519)	-	454,449
Other current assets	3,203,838	3,045,745	1,122,633	641,042	161,076	766,215	(7,372,216)	(249,169)	1,319,164
Other non-current assets	4,141,547	3,508,485	66,117	64,717	750,088	1,536,566	(7,716,149)	(1,117,633)	1,233,738
Investments in associates	-	(265)	265	-	13,799	5,462,690	-	(5,141,971)	334,518
Investments in joint ventures	567,785	266	-	-	-	8,077,907	(568,051)	-	8,077,907
Biological assets	740,473	-	-	-	-	-	(740,473)	-	-
Property, plant and equipment	10,912,819	2,292,355	3,182,272	-	321,746	176,667	(16,387,446)	-	498,413
Intangible assets and goodwill	3,626,819	2,513,923	8,591	8,497,448	1,191,627	7,401	(6,149,333)	-	9,696,476
Loans, borrowings and debentures	(12,702,418)	(4,665,127)	(971,268)	(3,651,545)	(759,169)	(5,546,424)	18,338,813	-	(9,957,138)
Derivative financial instruments	(1,223,260)	(31,469)	-	-	(3,880)	(21,834)	1,254,729	-	(25,714)
Trade payables	(3,090,299)	(1,603,481)	(1,003,917)	(1,012,895)	(452,300)	(7,008)	5,697,697	-	(1,472,203)
Employee benefits payable	(343,670)	(73,481)	(36,829)	(63,520)	(37,850)	(30,951)	453,980	-	(132,321)
Preferred shareholders payable in subsidiaries	-	-	-	-	-	(1,097,490)	-	-	(1,097,490)
Other current liabilities	(2,448,741)	(4,520,490)	(624,633)	(159,060)	(499,759)	(816,308)	7,593,864	250,516	(1,224,611)
Other non-current liabilities	(1,305,251)	(5,028,754)	(834,456)	(2,009,997)	(794,110)	(2,269,234)	7,168,461	1,116,191	(3,957,150)
Total assets (net of liabilities) allocated by segment	11,670,218	1,767,294	3,056,024	5,162,865	973,525	9,928,809	(16,493,536)	(5,142,066)	10,923,133
Total assets	32,783,857	17,690,096	6,527,127	12,059,882	3,520,593	19,718,058	(57,001,080)	(6,508,773)	28,789,760
Equity attributable to owners of the Company	11,632,885	1,533,604	3,056,024	4,175,508	966,465	9,928,808	(16,222,513)	(5,142,066)	9,928,715
Non-controlling interests	37,333	233,690	-	987,357	7,061	-	(271,023)	-	994,418
Total shareholders' equity	11,670,218	1,767,294	3,056,024	5,162,865	973,526	9,928,808	(16,493,536)	(5,142,066)	10,923,133

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

December 31, 2017

	Reported segments				Reconciliation			Consolidated
	Raízen Energia	Raízen Combustíveis	Comgás	Moove	Cosan Corporate	Deconsolidated effects	Segment elimination	
Statement of financial position:								
Cash and cash equivalents	2,069,357	1,221,890	1,727,521	192,115	1,230,692	(3,291,247)	-	3,150,328
Marketable securities	-	-	509,544	5,439	185,052	-	-	700,035
Trade receivables	688,235	2,679,114	640,682	310,006	13	(3,367,349)	-	950,701
Derivative financial instruments	453,775	88,496	458,476	2,581	591,048	(542,271)	-	1,052,105
Inventories	2,804,223	2,416,833	76,548	301,850	2,372	(5,221,056)	-	380,770
Other financial assets	476,181	-	-	-	1,686,718	(476,181)	-	1,686,718
Other current assets	2,114,733	1,406,945	155,815	98,419	498,610	(3,521,678)	(126,172)	626,672
Other non-current assets	3,373,565	1,335,986	356,962	70,055	1,096,024	(4,709,551)	(1,231)	1,521,810
Investments in associates	348,523	-	-	12,113	4,716,900	(348,523)	(4,469,601)	259,412
Investments in joint ventures	-	-	-	-	8,447,799	-	-	8,447,799
Biological assets	880,668	-	-	-	-	(880,668)	-	-
Investment property	10,753,205	2,329,858	-	270,229	142,096	(13,083,063)	-	412,325
Intangible assets and goodwill	3,669,903	4,600,777	8,471,087	873,924	5,587	(8,270,680)	-	9,350,598
Loans, borrowings and debentures	(10,853,768)	(2,741,312)	(4,212,504)	(589,292)	(4,873,198)	13,595,080	-	(9,674,994)
Derivative financial instruments	(250,033)	(218,888)	-	(8,293)	(106,238)	468,921	-	(114,531)
Trade payables	(1,341,867)	(2,124,538)	(1,444,835)	(353,474)	(7,076)	3,466,405	-	(1,805,385)
Employee benefits payable	(356,155)	(94,158)	(59,059)	(34,125)	(30,833)	450,313	-	(124,017)
Preferred shareholders payable in subsidiaries	-	-	-	-	(1,442,679)	-	-	(1,442,679)
Other current liabilities	(1,412,872)	(1,387,037)	(358,430)	(237,302)	(981,149)	2,799,909	127,405	(1,449,476)
Other non-current liabilities	(1,345,322)	(4,392,359)	(1,782,718)	(212,710)	(1,715,068)	5,737,681	79,570	(3,630,926)
Total assets (net of liabilities) allocated by segment	12,072,351	5,121,607	4,539,089	701,535	9,446,670	(17,193,958)	(4,390,029)	10,297,265
Total assets	27,632,368	16,079,899	12,396,635	2,136,731	18,602,911	(43,712,267)	(4,597,004)	28,539,273
Equity attributable to:								
Owners of the Company	12,073,314	4,888,966	3,688,494	701,535	9,446,670	(16,962,280)	(4,390,029)	9,446,670
Non-controlling interests	(963)	232,641	850,595	-	-	(231,678)	-	850,595
Total shareholders' equity	12,072,351	5,121,607	4,539,089	701,535	9,446,670	(17,193,958)	(4,390,029)	10,297,265

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

4.1 Net sales by segment

	December 31, 2018	December 31, 2017
Reported segment		
Raízen Energia		
Ethanol	8,569,437	6,550,652
Sugar	3,670,749	5,377,351
Gas	758,572	-
Diesel	3,314,377	-
Cogeneration	2,836,658	884,300
Other	648,753	340,375
	19,798,546	13,152,678
Raízen Combustíveis		
Fuels	84,031,837	72,789,148
Other	1,172,254	-
	85,204,091	72,789,148
Comgás		
Industrial	4,411,737	3,494,396
Residential	986,073	849,723
Cogeneration	315,925	229,716
Automotive	262,813	224,203
Commercial	387,069	320,049
Construction revenue	415,753	351,193
Other	60,641	68,577
	6,840,011	5,537,857
Moove		
Finished goods	3,096,658	1,876,935
Basic oil	317,878	220,515
Services	35,413	32,072
	3,449,949	2,129,522
Reconciliation		
Cosan Corporate	9,164	3,441
Deconsolidated of adjustments/eliminations joint ventures and eliminations	(105,002,662)	(85,941,869)
Total	10,299,099	7,670,777

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

4.2 Information on geographical area

		Net sales
	December 31, 2018	December 31, 2017
Brazil	8,483,979	7,083,870
Europe ⁽ⁱ⁾	1,680,240	532,407
Latin America ⁽ⁱⁱ⁾	132,497	52,345
North America	133	2
Asian and Other	2,250	2,153
Total	10,299,099	7,670,777

Main countries:

- i. England, France, Spain and Portugal; and
- ii. Argentina, Bolivia, Uruguay and Paraguay;

4.3 Major Customers

No customers or specific group represented 10% or more of net sales for the periods presented in other segments.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

5 Financial assets and liabilities

The carrying amount of financial assets and financial liabilities are as follows:

		Parent Company		Consolidated	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Assets					
Fair values through profit or loss					
Cash and cash equivalents	5.1	824,437	142,612	1,598,421	1,849,820
Marketable securities	5.2	137,313	54,079	1,359,232	700,035
Other financial assets	5.4	454,449	346,718	454,449	346,718
Derivative financial instruments	5.9	983,714	564,365	1,515,882	1,052,105
		2,399,913	1,107,774	4,927,984	3,948,678
Amortized cost					
Cash and cash equivalents	5.1	103,640	1,393	1,098,526	1,300,508
Other financial assets	5.4	-	1,340,000	-	1,340,000
Trade receivables	5.3	-	-	1,150,130	950,701
Receivables from related parties	5.5	743,398	190,226	132,798	207,266
Dividends and interest on capital receivable		34,354	126,056	27,309	13,114
		881,392	1,657,675	2,408,763	3,811,589
		3,281,305	2,765,449	7,336,747	7,760,267
Liabilities					
Amortized cost					
Loans, borrowings and debentures		-	-	4,679,752	4,510,419
Trade payables	5.6	4,509	3,713	1,472,203	1,805,385
Dividends payable		422,726	338,985	427,232	373,277
Other financial liabilities		-	-	117,997	90,725
Payables to related parties	5.5	5,636,109	3,934,179	207,989	398,586
Real estate credit certificates	12	199,582	200,484	206,687	207,790
Preferred shareholders payable in subsidiaries	5.8	1,097,490	1,442,680	1,097,490	1,442,679
		7,360,416	5,920,041	8,209,350	8,828,861
Fair values through profit or loss					
Loans, borrowings and debentures	5.6	-	-	5,277,386	5,164,575
Contingent consideration		-	-	119,825	116,542
Derivative financial instruments	5.9	21,714	105,302	25,714	114,531
		21,714	105,302	5,422,925	5,395,648
Total		7,382,130	6,025,343	13,632,275	14,224,509

The effect and policy of initially applying IFRS 9 / CPC 48 on the Company's financial instruments is described in Note 3.3.

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

5.1 Cash and cash equivalents

Accounting policy

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.

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Cash and bank accounts	63	393	57,781	43,893
Savings account	-	-	564,606	901,706
Financial Investments	928,014	143,612	2,074,560	2,204,729
	928,077	144,005	2,696,947	3,150,328

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Financial investments are composed as follows:

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Investment fund				
Repurchase agreements	579,146	113,520	1,179,503	1,472,683
Bank certificate of deposits - CDB	245,291	29,092	418,918	377,137
	824,437	142,612	1,598,421	1,849,820
Bank investments				
Repurchase agreements	-	-	-	2,800
Bank certificate of deposits - CDB	102,577	-	475,129	351,109
Other	1,000	1,000	1,010	1,000
	103,577	1,000	476,139	354,909
	928,014	143,612	2,074,560	2,204,729

The Company's onshore financial investments are remunerated at rates around 100% of CDI in 2018 (100% of CDI in 2017) and offshore financial investments are remunerated at rates around 100% of Fed Funds. The sensitivity analysis on interest rate risks is in note 21.

5.2 Marketable securities and Restricted cash

Accounting policy

They are measured and classified at fair value through profit or loss, with the average maturity of government bonds between two and five years, however they can be promptly redeemed and are subject to an insignificant risk of change in value.

	Parent company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Marketable securities				
Government security ⁽ⁱ⁾	137,313	54,079	1,359,232	700,035
	137,313	54,079	1,359,232	700,035

(i) Sovereign debt securities have stated interest connected to SELIC.

5.3 Trade receivables

Accounting policy

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the corresponding historical credit losses experienced within this period. The historical loss rates may be adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the interest rate implicit in the contract to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

	Consolidated	
	December 31, 2018	December 31, 2017
Domestic – Brazilian Reais	1,226,496	1,026,075
Export – Foreign currency	31,380	14,895
	1,257,876	1,040,970
Allowance for doubtful accounts	(107,746)	(90,269)
	1,150,130	950,701
Current	1,128,304	918,423
Non-current	21,826	32,278

The ageing of trade receivables is as follows:

	Consolidated	
	December 31, 2018	December 31, 2017
Not overdue	1,044,750	834,537
Overdue:		
From 1 to 30 days	57,268	77,716
From 31 to 60 days	20,737	11,344

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

From 61 to 90 days	9,086	8,115
More than 90 days	126,035	109,258
Allowance for doubtful accounts	(107,746)	(90,269)
	<u>1,150,130</u>	<u>950,701</u>

Changes in the allowance for doubtful accounts are as follows:

	Consolidated
At January 1, 2017	(71,700)
Provision	(18,569)
At December 31, 2017	(90,269)
Provision	(17,477)
December 31, 2018	(107,746)

5.4 Other financial assets

Accounting policy

Equity investments are measured at fair value through profit or loss and are equity instruments whose purpose is to maintain for trading. At December 31, 2017, the assignment of receivables was initially measured and classified as amortized cost, since it was intended to receive contractual cash flows.

The balance consists of the following:

	December 31, 2018	December 31, 2017
Investment in Rumo S.A' shares	454,449	346,718
Credit rights	-	1,340,000
	<u>454,449</u>	<u>1,686,718</u>

- Investment in shares of Rumo S.A**

On February 23, 2017, TPG VI Participative Investment Fund ("TPG"), a shareholder of Rumo SA ("Rumo"), exercised its right to exchange 11,479,987 shares issued by Rumo for shares issued by the Company, with financial settlement of R\$ 275,780, in line with other financial assets in the statement of cash flows.

The Company has 26,732,274 shares, representing 1.71% of the total shares of Rumo S.A., at market value, where it uses the measurement methodology at fair value and not the equity method.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

- **Assignment of receivables**

The amount was received on January 31, 2018, as shown at statement of cash flows.

5.5 Related parties

Accounting policy

Sales and purchases involving related parties are made at regular market prices. The outstanding balances at year-end are not guaranteed nor subject to interest, and they are settled in cash. There were no guarantees given or received regarding any accounts receivable or payable involving related parties. In the year ended December 31, 2018, the Company did not account for any impairment of accounts receivable related to amounts owed by related parties.

a) Receivables from and payables to related parties:

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Current Asset				
Commercial operation				
Raízen Energia S.A. ⁽ⁱ⁾	21,876	13,937	23,979	15,876
Rumo S.A	2,858	4,200	7,861	7,379
Aguassanta Participações S.A.	29	17	29	17
Cosan Biomassa S.A	5,891	4,939	-	-
Cosan Limited	4,479	4,207	4,479	4,207
Cosan Lubrificantes e Especialidades ^(iv)	212,338	3,543	-	-
Raízen Combustíveis S.A.	738	11	2,050	1,063
Other	1	717	216	927
	248,210	31,571	38,614	29,469
Financial operations				
Cosan Limited	-	-	31,469	26,128
	-	-	31,469	26,128
	248,210	31,571	70,083	55,597
Non-current assets				
Receivables under the framework agreement				
Raízen Energia S.A. ⁽ⁱ⁾	37,470	87,969	37,470	87,969
Janus Brasil Participações S.A	-	30,423	-	30,423
	37,470	118,392	37,470	118,392
Financial and corporation operations				
Rezende Barbosa ⁽ⁱⁱ⁾	23,144	31,444	23,144	31,444
Cosan Lubrificantes e Especialidades ^(iv)	425,081	-	-	-
Other	9,493	8,819	2,101	1,833
	457,718	40,263	25,245	33,277
	495,188	158,655	62,715	151,669

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	Parent Company		Consolidated	
	December	December	December	December
	31, 2018	31, 2017	31, 2018	31, 2017
Current liabilities				
Commercial operation				
Raízen Energia S.A. ⁽ⁱ⁾	177,029	167,487	196,182	176,989
Raízen Combustíveis S.A.	9,474	8,849	10,461	9,813
Rumo S.A.	577	850	1,138	950
Aguassanta Participações S.A.	-	337	-	337
Cosan Lubrificantes e Especialidades	14,737	16	-	-
Other	816	-	208	-
	202,633	177,539	207,989	188,089
Financial and corporation operations				
Cosan Limited ⁽ⁱⁱⁱ⁾	-	210,497	-	210,497
Cosan Overseas Limited	25,037	21,375	-	-
Cosan Luxembourg S.A.	79,194	61,292	-	-
	104,231	293,164	-	210,497
	306,864	470,703	207,989	398,586
Non-current liabilities				
Financial and corporation operations				
Cosan Luxembourg S.A.	2,687,174	1,797,898	-	-
Cosan Lubrificantes e Especialidades ^(iv)	691,109	-	-	-
Cosan Overseas Limited	1,950,962	1,665,578	-	-
	5,329,245	3,463,476	-	-
	5,329,245	3,463,476	-	-

- i. Raízen Energia balances receivable recorded as non-current assets basically represent tax credits that will be returned by these entities to the Company when effectively used. The balances recorded as current liabilities represent recoveries related to expenses paid by Raízen of the Company responsibility.
- ii. 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 Company shares.
- iii. Recognition of the portion, monetary restatement and exchange variation related to the purchase of shares of subsidiary Comgás, settled in December 2018.
- iv. On December 31, 2018, a contract was entered into between the Company and the subsidiary CLE for the purpose of transferring fuel assets and liabilities from the acquisition of Esso Brasileira de Petróleo

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Ltda. “Esso” in 2008 that were not contributed to the formation of Raízen. This fact generated an increase in certain related parties accounts of the Company in this financial statement, which did not generate impacts on Cosan Consolidated position or segment information.

b) Related party transactions:

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Product sales				
Rumo S.A	-	-	40,016	34,663
Raízen Energia S.A.	-	-	21,163	21,986
Raízen Combustíveis S.A	-	-	30,424	12,784
	-	-	91,603	69,433
Purchase of goods / inputs				
Raízen Energia S.A.	-	-	(3,672)	(1,414)
Rumo S.A	-	-	(2,270)	-
Raízen Combustíveis S.A.	(24)	-	(24)	(4)
	(24)	-	(5,966)	(1,418)
Discontinued operation				
Raízen Energia S.A	-	-	-	67
	-	-	-	67
Shared expense				
Aguassanta Participações S.A.	-	330	-	330
Rumo S.A	11,177	11,300	11,177	11,300
Cosan Biomassa S.A.	945	2,600	-	-
Cosan Lubrificantes e Especialidades	6,567	7,270	-	-
Raízen Energia S.A.	(1,927)	(4,702)	(45,007)	(44,289)
Outros	-	245	-	244
	16,762	17,043	(33,830)	(32,415)
Financial result				
Cosan Limited	(5,078)	(1,813)	(4,255)	(1,195)
Cosan Luxembourg S.A.	(402,940)	72,562	-	-
Pasadena Empreendimento Participação S.A.	406	573	-	-
Cosan Overseas Limited	(436,320)	(156,744)	-	-
Raízen Energia S.A.	4,100	7,727	4,100	7,727
Raízen Combustíveis S.A	2,780	-	2,780	-
Outros	(241)	(378)	(241)	(378)
	(837,293)	(78,073)	2,384	6,154

c) Officers' and directors' compensation

The Company has a compensation policy approved by the Board of Directors. Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan.

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

	Consolidated	
	December 31, 2018	December 31, 2017
Short-term benefits to officers and directors	52,290	53,716
Post-employment benefits	476	609
Other long-term benefits	547	664
Benefits from termination of employment contract	1,193	589
Stock option expense	7,758	9,203
	62,264	64,781

5.6 Loans, borrowings and debentures

Accounting policy

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial guarantee contracts issued by the Company are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- (i) the amount of the obligation under the contract; and
- (ii) the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Description	Interest		Consolidated		Maturity	Objective
	Index	Annual interest rate	December 31, 2018	December 31, 2017		
With warranty						
BNDES	TJLP	9.06%	107,731	120,573	Jun-23	Investments
	TJ462	9.87%	316,854	485,807	Oct-20	Investments
	Selic	8.32%	152,562	221,222	Oct-20	Investments
	Selic	8.49%	63,852	66,794	Jun-23	Investments
EIB	U.S.\$	3.88%	89,003	127,190	Jun-20	Investments
	U.S.\$	2.94%	54,508	70,611	Sep-20	Investments
	U.S.\$ + LIBOR	3.43%	115,581	138,778	May-21	Investments
	U.S.\$ + LIBOR	3.18%	130,402	149,386	Sep-21	Investments
FINEP	Fixed	5.00%	93,309	93,058	Nov-22	Investments
FINAME	Fixed	5.50%	-	45	Sep-18	Investments
			1,123,802	1,473,464		
No Warranty						
Foreign loans	LIBOR Sterling	4.22%	363,250	312,642	Dec-22	Acquisition
	LIBOR Sterling	2.43%	199,794	157,432	Nov-20	Acquisition
Resolution 4131	U.S.\$ + LIBOR	3.75%	156,387	68,305	Feb-20	Working capital
	U.S.\$	2.40%	-	415,762	Mar-18	Working capital
	U.S.\$	3.67%	292,172	-	May-23	Working capital
	U.S.\$	4.79%	39,738	50,868	Oct-20	Working capital
	U.S.\$	4.34%	41,033	-	Nov-19	Working capital
Perpetual Notes	U.S.\$	8.25%	1,961,819	1,674,847		Acquisition
Senior Notes Due 2018	Fixed	9.50%	-	168,052	Mar-18	Acquisition
Senior Notes Due 2023	U.S.\$	5.00%	409,590	339,665	Mar-23	Acquisition
Senior Notes Due 2027	U.S.\$	7.00%	2,977,721	2,530,442	Jan-27	Acquisition
Working capital	CDI + 0.31% p.m.	10.93%	-	1,117	Jan-18	Working capital
	CDI + 0.33% p.m.	11.20%	-	3,345	Mar-18	Working capital
	120.85% of CDI	7.77%	-	10,440	Jul-18	Working capital
	120.75% of CDI	7.77%	-	20,879	Jul-18	Working capital
	120% CDI	7.72%	-	21,221	Jul-18	Working capital
	122% CDI	7.86%	15,402	-	Feb-19	Working capital
	122% CDI	7.74%	30,828	-	Aug-20	Working capital
	122% CDI	8.06%	5,018	-	Dec-19	Working capital
Secured account	125,5% of CDI	8.08%	-	94	Aug-18	Working capital
Other	US\$ + Libor Tri	3.81%	11,706	10,039	Apr-19	Working capital
Non-convertible debentures	CDI + 0,90%	7.36%	43,471	87,467	Sep-19	Investments
	IPCA + 5,10%	9.40%	-	363,894	Sep-18	Investments
	IPCA + 5,57%	9.47%	203,613	197,923	Sep-20	Investments
	IPCA + 7,14%	11.09%	305,894	293,312	Dec-20	Investments
	IPCA + 7,48%	11.45%	275,014	263,701	Dec-22	Investments
	IPCA + 7,36%	11.32%	90,656	86,927	Dec-25	Investments
	IPCA + 5,87%	9.78%	767,638	726,826	Dec-23	Investments
	IPCA + 4,33%	8.18%	414,583	396,330	Oct-24	Investments
	IGPM + 6,10%	14.61%	228,009	-	May-28	Investments
			8,833,336	8,201,530		
Total			9,957,138	9,674,994		
Current			1,161,203	1,611,547		
Non-current			8,795,935	8,063,447		

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

The Company used for calculating the average rates, on an annual basis, the annual average of interbank deposit certificate rate ("CDI") of 6.40% and long-term interest rate ("TJLP") of 6.98%.

Non-current borrowings are scheduled to fall due as follows:

	Consolidated	
	December 31, 2018	December 31, 2017
13 to 24 months	1,118,902	1,127,365
25 to 36 months	369,884	808,480
37 to 48 months	300,807	256,669
49 to 60 months	1,528,216	195,441
61 to 72 months	448,323	1,139,353
73 to 84 months	30,122	454,668
85 to 96 months	392,389	278,446
Thereafter	4,607,292	3,803,025
	8,795,935	8,063,447

The carrying amounts of loans, borrowings and debentures are denominated in the following currencies:

	Consolidated	
	December 31, 2018	December 31, 2017
Reais (R\$)	3,114,435	3,629,026
Dollar (U.S.\$) ⁽ⁱ⁾	6,279,659	5,575,894
Pound (GBP)	563,044	470,074
	9,957,138	9,674,994

All debts with date denominated in US dollars, in subsidiaries, are hedged against exchange rate risk through derivatives (Note 5.9). For the 5th Issuance of debentures denominated in R\$ of the subsidiary Comgás, a derivative transaction was carried out in which its future cash flow was protected, and the IPCA interest rate risk was changed by CDI percentages.

Below are the movements that occurred for the year ended December 31, 2018 and 2017:

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	Consolidated
At January 1, 2017	9,138,129
Raised	912,642
Payment	(1,445,965)
Interest, exchange rate and fair value	1,070,188
At December 31, 2017	9,674,994
Raised	647,928
Amortization of principal on loans, borrowings and debentures	(1,486,890)
Payment of interest on loans, borrowings and debentures	(611,968)
Interest, exchange rate and fair value	1,733,074
December 31, 2018	9,957,138

a) Guarantees

Some financing agreements with the BNDES, destined to investments, are also guaranteed, according to each contract, by bank guarantee, with an average cost of 0.96% p.a. or by real guarantees (assets) and escrow account. On December 31, 2018, the balance of bank guarantees contracted was R\$ 1,195,048 (R\$ 1,509,889 as of December 31, 2017).

The other loans are guaranteed by bank guarantee, with an average cost of 1.4% per year.

b) Available credit line

As of December 31, 2018, the subsidiary Cosan S.A. had available credit lines from financial institutions AA, which were not used, in the total amount of R\$ 501,000 (R\$ 501,000 on December 31, 2017).

The use of these credit lines is subject to certain contractual conditions.

c) Financial Covenants

Under the terms of the major borrowing facilities, the Company is required to comply with the following financial covenants:

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Debit	Triggers	Ratios
Debenture 3 ^a Issue	Net onerous debt / EBITDA cannot exceed 4.00	0.71
	Short-term indebtedness / Total indebtedness cannot exceed 0.6	0.17
Debenture 4 ^a Issue	Net onerous debt / EBITDA cannot exceed 4.00	0.71
	Short-term indebtedness / Total indebtedness cannot exceed 0.6	0.17
Debenture 5 ^a Issue	Net onerous debt / EBITDA cannot exceed 4.00	0.71
Debenture 6 ^a Issue	Net onerous debt / EBITDA cannot exceed 4.00	0.71
Debenture 7 ^a Issue	Net onerous debt / EBITDA cannot exceed 4.00	0.71
Senior Notes 2027	Net debt / EBITDA not higher than or equal to 3.5	2.4

(i) Includes joint ventures.

For the other Loans, borrowings and debentures of the Company there are no financial clauses.

As at December 31, 2018, the Company and its subsidiaries were in compliance with all debt financial covenants.

d) Fair value and exposure to financial risk

The fair value of the loans is based on the discounted cash flow using its implicit discount rate. They are classified as a level 2 fair value in the hierarchy (Note 5.10) due to the use of unobservable data, including own credit risk.

The details of the Company's exposure to risks arising from loans are shown in note 21.

5.7 Trade payables

Accounting policy

The carrying amounts of suppliers are the same as their fair values due to their short-term nature and are generally paid within 30 days of recognition.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Natural gas suppliers	-	-	838,105	1,563,930
Materials and service suppliers	4,509	3,713	634,098	536,431
Judicial deposits	-	-	-	(294,976)
	4,509	3,713	1,472,203	1,805,385

The Comgás subsidiary has natural gas supply contracts with Petróleo Brasileiro S.A. (“Petrobras”) and Gas Brasileiro, Distribuidora S.A. (“Gas Brasileiro”), under the following conditions:

- i) Contract with Petrobras in the “firm” model, started in January 2008, valid until December 2021, with a contractual daily quantity of national gas of 4.22 million m³ / day, denominated “National Firm”.
- ii) Contract with Petrobras in the “firm” model, started in June 1999, effective until June 2021 with contractual daily quantity of Bolivian gas of 8.10 million m³ / day, known as TCQ.
- iii) Gas contract entered into the program (PTT) “Priority Thermoelectric Program” with Petrobras, to supply 0.3 million m³ / day to Ingredion Brasil Ingredientes Industriais Ltda, effective until March 31, 2023.
- iv) Contract with Gas Brasileiro in the “firm” mode, started in April 2008, valid until March 26, 2019 with a contracted average monthly volume of 0.760 million m³ and contracted annual volume of 9.12 million m³.

The contracts for the supply of natural gas, “Firme Nacional” contract and “TCQ”, have prices composed of two installments: one indexed to a basket of fuel oils in the international market and readjusted quarterly; and another adjusted annually based on local and / or American inflation. Both contracts are indexed to the US currency

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

On November 14, 2018, additives to the National Firm and TCQ contracts were extended, extending the maturity of both contracts until December 2021. One of the conditions provided for in these additives was to settle the historical value of R\$ 995,951 (R\$ 177,423 was reversed in the financial result), a controversial balance generated between January 2014 and October 2015 corresponding to the price difference between (i) the price charged in the TCQ Gas Supply Agreement between Comgás and Petrobras and (ii) the price charged in the Fixed Supply Agreement between Petrobras and Gas Brasileiro. The judicial deposit was also raised in the updated gross amount of R\$ 396,559 (the amount of R\$ 101,583 was recorded in the financial result).

The impacts of the closing of the legal disputes related to the cost of gas with Petrobrás are shown: (i) reduction of the balance of suppliers in the financial position, (ii) reversal of the financial and income tax and social contribution in the statement of income of the year, and (iii) their respective effects to the cash flow statement.

5.8 Preferred shareholders payable in subsidiaries

Accounting policy

Financial liabilities are measured at amortized cost, taking into account the outstanding balance of the initial contribution, restated by financial ratios, less dividends paid.

On June 27, 2014, the Company undertook a corporate reorganization, with the creation of the subsidiary ("CIP"), to optimize its capital structure and improve its debt profile. A contribution of R\$ 2,000,000 was received through two non-voting preferred shares - Fundo de Investimentos em Participações Multisetoriais Plus II ("FIP Multisetorial") and Razac Fundo de Investimentos em Participações "FIP Razac". CIP received from Cosan a 50% interest in the joint venture controlled, Raízen Energia and Raízen Combustíveis, and the commitments contributed were debentures and working capital financing.

The shareholders' agreement has exit clauses, in which the Company may repurchase these interests.

The Company will be required to pay investors if they exercise the option to sell the investment in 2021.

5.09 Derivate

Accounting policy

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently changes to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- I. hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges); or
- II. hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other gains / (losses).

The fair values of derivative financial instruments designated in hedge

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

relationships are disclosed below. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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 60% to 140% (80% – 125% until December 31, 2017).

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:

	Notional		Fair value	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Forward agreements				
Exchange rate derivative	515,342	61,606	(1,551)	96
	515,342	61,606	(1,551)	96
Swap agreements				
Interest rate	2,114,926	2,284,808	394,497	328,703
Exchange and interest rate	6,074,553	4,736,772	1,097,222	608,775
	8,189,479	7,021,580	1,491,719	937,478
Total financial instruments			1,490,168	937,574
Assets			1,515,882	1,052,105
Liabilities			(25,714)	(114,531)

Derivatives are only used for economic hedging purposes and not as speculative investments.

Currently the Company has adopted the hedge accounting of fair value for some 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:

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	Debit	Derivative	Total
At January 1, 2017	(1,534,072)	146,697	(1,387,375)
Interest amortization	86,149	66,204	152,353
Fair value	(199,676)	39,714	(159,962)
At December 31, 2017	(1,647,599)	252,615	(1,394,984)
Initial measurement	93,639	(20,281)	73,358
Interest amortization	364,491	(41,747)	322,744
Fair value	(193,295)	121,350	(71,945)
At December 31, 2018	(1,382,764)	311,937	(1,070,827)

- (i) Loans, borrowings and debentures
- (ii) Derivate financial instruments

5.10 Recognized fair value measurements

Accounting policy

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.

Specific valuation techniques used to value financial instruments include:

- I. the use of quoted market.
- II. for swaps we use the present value of estimated future cash flows based on observable curves in the market; and;
- III. for other financial instruments we analyze the discounted cash flow.

The market value of the Senior Notes are listed on the Luxembourg Stock Exchange (Note 5.5) is based on their quoted market price are as follows:

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	Company	December 31, 2018	December 31, 2017
Senior Notes 2018	Cosan S.A	-	100.37%
Senior Notes 2023	Cosan S.A	96.86%	101.54%
Senior Notes 2027	Cosan S.A	101.15%	108.14%
Perpetual Notes	Cosan S.A	101.21%	102.83%

All of the resulting fair value estimates are included in level 2 except for a contingent consideration payable where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board.

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 treasury assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Company's policy, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Board. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- a) **Level 1:** inputs represent unadjusted quoted prices for identical instruments exchanged in active markets.
- b) **Level 2:** inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs. The fair value of the majority of the company's investments in securities, derivative contracts and bonds.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

- c) **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs). Management is required to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these instruments or related observable inputs that can be corroborated at the measurement date.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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, 2018			December 31, 2017		
	December 31, 2018	December 31, 2017	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets								
Investment funds	1,598,421	1,849,820	-	1,598,421	-	-	1,849,820	-
Marketable securities	1,359,232	700,035	-	1,359,232	-	-	700,035	-
Other financial assets	454,449	346,718	454,449	-	-	346,716	1,340,002	-
Derivate financial instruments	1,515,882	1,052,105	-	1,515,882	-	-	1,052,105	-
Total	4,927,984	3,948,678	454,449	4,473,535	-	346,716	4,941,962	-
Liabilities								
Loans, borrowings and debentures	(5,277,386)	(5,164,575)	-	(5,277,386)	-	-	(5,164,575)	-
Contingent consideration ⁽ⁱ⁾	(119,825)	(116,542)	-	-	(119,825)	-	-	(116,542)
Derivate financial instruments	(25,714)	(114,531)	-	(25,714)	-	-	(114,531)	-
Total	(5,422,925)	(5,395,648)	-	(5,303,100)	(119,825)	-	(5,279,106)	(116,542)

- (i) The contingent consideration assessment considers the present value of the expected payments, discounted by a risk-adjusted rate. The expected payment is determined considering the most probable scenario of revenues and projected EBITDA, which in turn determine the cash generation capacity. The significant non-observable inputs are the forecast of the annual growth rate of

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

revenue, EBITDA margin forecast and the 13% discount rate adjusted for risk.

The following table presents the changes in level 3 items:

At January 1, 2017	166,807
Payment	(50,265)
At December 31, 2017	116,542
Payment	2,616
Interest and exchange rate	667
At December 31, 2018	119,825

6 Other current tax receivables

Accounting policy

Current tax assets primarily include (i) tax effects which are recognized in the consolidated statement of income when the asset is sold to a third-party or recovered through amortization of the asset's remaining economic life; and (ii) income tax receivables that are expected to be recovered either as refunds from taxing authorities or as a reduction to future tax obligations.

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Credit installment	40,261	38,926	40,261	38,926
COFINS (tax for security financing) - Revenue tax ⁽ⁱ⁾	3,694	3,698	369,695	31,454
ICMS (value added tax on sales and services) - State VAT	-	-	133,002	98,956
ICMS CIAP - State VAT	-	-	9,390	10,169
PIS (social integration program) - Revenue tax ⁽ⁱ⁾	-	-	79,451	5,887
Other	14	6	23,917	13,545
	43,969	42,630	655,716	198,937
Current	3,708	3,704	601,018	118,174
Non-Current	40,261	38,926	54,698	80,763

- I. On March 15, 2017, the STF decided, on general repercussion, to file Extraordinary Appeal 574,706 against a decision that determined the inclusion of ICMS in the calculation of the tax base of PIS and COFINS.

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

Accordingly, the subsidiary Comgás recognized in 2018 the credits deriving from the PIS and COFINS contributions, based on the STF decision, in the amount of R\$ 188,216, in the deductions of revenues and other revenues. It is important to note that PIS and COFINS credits make up the regulator's chart of accounts and will be reversed in favor of concession users through tariff revision or annual readjustment, after the final and unappeasable decision, according to CSPE Regulation 399/2006 and legislation of regency. In addition to the credits recognized by the STF decision, the subsidiary Comgás has a contingent asset in the approximate amount of R\$ 569,000 resulting from its action that has not yet been finally rendered, which is retroactive to July 2008.

The subsidiary Moove obtained a res judicata of its lawsuit on June 15, 2018, which backdates until 2001, and on account of the decision, the amount of R\$ 232,013 was recognized. Pursuant to a contract between the Company and the subsidiary Moove, the amount comprised between September 2001 and February 2017 amounting to R\$ 200,866 is a right of Cosan S.A. and as of March 2017, the sum sum R \$ 31,148 is the right of the subsidiary Moove.

In summary, the Company recognized on a consolidated basis (Comgás e Moove) the amount of R\$ 420,230 (R\$ 127,959 recorded as income deduction, R\$ 199,027 in other revenues, and R\$ 93,243 for the financial result). This is a transaction with no cash effect, thus the amount of R\$ 326,987 was adjusted in the cash flow as "Extemporary tax credits", and the amount of R\$ 93,243 as "Interest, monetary and exchange variations, net."

7 Inventories

Accounting policy

Inventories are stated at the lower of cost and net realizable value (net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale). Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated based on normal operating capacity. Costs are assigned to individual items of inventory based on weighted average costs.

Appropriate allowance is made for risks associated with holding and selling inventories due to obsolescence. Inventories are written down further when their net realizable value falls below cost.

	Consolidated	
	December 31, 2018	December 31, 2017
Finished goods	389,896	298,860
Product in process	45,397	53,213
Spare parts and others	17,611	28,697
	452,904	380,770

8 Investments in associates

8.1 Subsidiaries and Associates

Accounting policy

a) 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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation. 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.

b) Associates:

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

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 of 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."

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Cosan's subsidiaries are listed below:

	December 31, 2018	December 31, 2017
Directly owned subsidiaries		
Moove Lubricants Limited	100.00%	100.00%
Comgás ⁽ⁱⁱ⁾	80.12%	79.87%
Cosan Biomassa S.A. ⁽ⁱ⁾	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%
Airport Energy Limited	100.00%	100.00%
Airport Energy Services Limited	100.00%	100.00%
Wessesx Petroleum Limited	100.00%	100.00%
Stanbridge	100.00%	100.00%
TTA ^(iv)	75.00%	-
Cosan Lubrificantes S.R.L. ^(iv)	100.00%	-
Lubrigrupoll ^(iv)	100.00%	-
Commercial Lubricants Moove Corp ^(iv)	100.00%	-
Cosan Lubrificantes e Especialidades S.A.	100.00%	100.00%
Cosan Luxembourg S.A. ⁽ⁱ⁾	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 Produtos Químicos	100.00%	100.00%
Pasadena Empreendimentos e Participações S.A. ⁽ⁱ⁾	100.00%	100.00%
Zip Lube S.A.	100.00%	100.00%
Payly Soluções de Pagamento S.A. ⁽ⁱⁱⁱ⁾	100.00%	-

- (i) Management has concluded that there are no material uncertainties that cast doubt on the continuity of the subsidiaries. Although they had a combined amount of uncovered liabilities of R\$ 75,275 as of December 31, 2018, no events or conditions were identified that individually or collectively could raise significant doubts related to their ability to maintain their operational continuity. The subsidiaries have the financial support of the Company.
- (ii) As of June 30, 2018, the Company increased its interest, in Comgás to 80.12% due to the capital increase arising from the partial use of the goodwill tax benefit, according to Ordinary / Extraordinary General Meeting of April 25, 2018, of the subsidiary Comgás. As a consequence, a loss in shareholders' equity was recognized in the total amount of R\$ 7,888.

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

- (iii) Subsidiary established on August 1, 2018 to start the new business “e-wallet”.
- (iv) Acquisition of control of companies in the Lubricants segment as described in the note 8.2.

Set out below are the associates as at December 31, 2018 and 2017 which are material to the Company:

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

a. Parent company

	Shares issued by the associate	Shares held by Cosan	Cosan ownership interest	Economic benefit (%)
Comgás	132,023,251	105,779,857	80.12%	80.12%
Cosan Global	1	1	100.00%	100.00%
Cosan Investimentos e Participações S.A.	3,778,868,643	3,778,868,643	100.00%	100.00%
Cosan Lubrificantes e Especialidades S.A.	990,441	990,441	100.00%	100.00%
Cosan Luxemburg S.A.	500,010	500,000	100.00%	100.00%
Radar II Propriedades Agrícolas S.A.	81,440,221	24,920,708	51.00%	3.00%
Radar Propriedades Agrícolas S.A.	1,735,703	531,125	51.00%	2.51%
Tellus Brasil Participações S.A.	120,920,492	61,359,624	50.74%	5.00%
Usina Santa Luiza S.A.	28,553,200	9,516,782	33.33%	33.33%
Janus Brasil Participações S.A.	207,712,545	105,461,644	50.77%	5.00%
Cosan Biomassa	26,841,942	26,841,942	100.00%	100.00%
Cosan Lubes Investment	6,300,001	6,300,001	100.00%	100.00%
Pasadena Empreendimentos e Participações S.A.	32,752,251	32,751,751	99.99%	99.99%

	At January 1, 2018	Interest in earnings (losses) of subsidiaries	Sales or purchase of interests	Other comprehensive income (losses)	Dividends	Increase/reduction of capital	Assumption of assets and liabilities	Reclassification	Other	At December 31, 2018
Comgás	3,688,493	1,008,192	(12,160)	(25,878)	(479,286)	-	-	-	(3,856)	4,175,505
Cosan Global	94,495	3,525	-	-	-	-	-	-	-	98,020
Cosan Investimentos e Participações S.A.	6,335,438	984,701	-	(46,519)	(1,088,000)	-	-	-	(1,341)	6,184,279
Cosan Lubrificantes e Especialidades S.A.	-	-	-	-	-	-	-	841,222	-	841,222
Cosan Lubes Investment	-	-	-	-	-	-	-	54,365	-	54,365
Cosan Luxemburg S.A.	117,994	(74,086)	-	-	-	(70,560)	-	26,652	-	-
Radar II Propriedades Agrícolas S.A.	31,127	1,634	-	42	(566)	-	-	-	-	32,237
Radar Propriedades Agrícolas S.A.	57,533	2,528	-	202	(678)	-	-	-	-	59,585
Tellus Brasil Participações S.A.	98,723	5,618	-	-	(3,232)	-	-	-	-	101,109
Usina Santa Luiza S.A.	4,389	22,987	-	-	-	1,833	-	-	-	29,209
Janus Brasil Participações S.A.	51,426	9,142	-	-	(4,386)	37,639	-	-	-	93,821
Outros	32,951	(1,222)	-	5,932	-	3,922	-	-	305	41,888
Total investments in associates	10,512,569	1,963,019	(12,160)	(66,221)	(1,576,148)	(27,166)	-	922,239	(4,892)	11,711,240
Cosan Biomassa	(7,178)	(34,638)	-	-	-	-	-	-	-	(41,816)
Cosan Lubes Investment	(71,597)	(18,876)	-	55,055	-	89,783	-	(54,365)	-	-
Cosan Lubrificantes e Especialidades S.A.	(7,974)	195,143	-	(29,182)	-	600,000	83,235	(841,222)	-	-
Cosan Luxemburg S.A.	-	-	-	-	-	-	-	(26,652)	-	(26,652)
Pasadena Empreendimentos e Participações S.A.	(6,074)	(731)	-	-	-	-	-	-	-	(6,805)
Total investments in capital deficiency	(92,823)	140,898	-	25,873	-	689,783	83,235	(922,239)	-	(75,273)
Total	10,419,746	2,103,917	(12,160)	(40,348)	(1,576,148)	662,617	83,235	-	(4,892)	11,635,967

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	At January 1, 2017	Interest in earnings (losses) of subsidiaries	Sales or purchase of interests	Other comprehensive income (losses)	Dividends	Increase/reduction of capital	Other	Reclassification	At December 31, 2017
COMGÁS	3,366,488	364,544	780,126	(12,422)	(770,459)	-	(39,784)	-	3,688,493
Cosan Global	94,314	181	-	-	-	-	-	-	94,495
Cosan Biomassa	1,503	-	-	-	-	-	-	(1,503)	-
Cosan Investimentos e Participações S.A.	6,146,924	1,016,102	-	204,064	(587,475)	-	(444,177)	-	6,335,438
Cosan Lubrificantes e Especialidades S.A.	32,307	41	-	-	-	-	-	(32,348)	-
Cosan Luxemburgo S.A.	322,308	(204,314)	-	-	-	-	-	-	117,994
Radar II Propriedades Agrícolas S.A.	30,537	1,704	-	46	(1,160)	-	-	-	31,127
Radar Propriedades Agrícolas S.A.	55,148	3,128	-	232	(975)	-	-	-	57,533
Tellus Brasil Participações S.A.	97,002	4,972	-	-	(3,251)	-	-	-	98,723
Usina Santa Luiza S.A.	-	-	-	-	-	-	-	4,389	4,389
Janus Brasil Participações S.A.	33,998	3,014	-	3,181	(1,840)	13,073	-	-	51,426
Other	(14,566)	(775)	-	523	-	-	-	47,769	32,951
Total investments in associates	10,165,963	1,188,597	780,126	195,624	(1,365,160)	13,073	(483,961)	18,307	10,512,569
Cosan Biomassa	-	(46,566)	-	-	-	39,044	(1,158)	1,502	(7,178)
Usina Santa Luiza S.A.	-	8,979	-	-	-	1,433	(6,023)	(4,389)	-
Cosan Lubes Investment	-	(439)	-	(23,389)	-	-	-	(47,769)	(71,597)
Cosan Lubrificantes e Especialidades S.A.	-	(39,049)	-	(1,273)	-	-	-	32,348	(7,974)
Pasadena Empreendimentos e Participações S.A.	-	(1,679)	-	(174)	-	-	(4,221)	-	(6,074)
-	-	-	-	-	-	-	-	-	-
Total investments in capital deficiency	-	(78,754)	-	(24,836)	-	40,477	(11,402)	(18,308)	(92,823)
Total	10,165,963	1,109,843	780,126	170,788	(1,365,160)	53,550	(495,363)	(1)	10,419,746

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Financial information of associates:

	December 31, 2018				December 31, 2017			
	Assets	Liabilities	Shareholders' equity	Profit or (loss) in the year	Assets	Liabilities	Shareholders' equity	Profit or (loss) in the year
Cosan Lubrificantes e Especialidades S.A.	3,095,968	(2,255,025)	840,943	194,866	1,939,363	(1,947,338)	7,975	(39,088)
Cosan Lubes Investment	1,111,693	(1,050,306)	61,387	(18,875)	672,336	(743,932)	71,596	(439)
Radar Propriedades Agrícolas S.A.	2,240,694	(302,946)	1,937,748	100,628	2,362,536	(63,915)	(2,298,621)	125,441
Radar II Propriedades Agrícolas S.A.	829,739	(18)	829,721	54,509	1,026,024	(53)	(1,025,971)	56,197
Comgás	12,059,881	(6,897,017)	5,162,864	1,258,968	12,396,634	(7,857,545)	(4,539,089)	559,657
Cosan Investimentos e Participações S.A.	6,189,489	(5,508)	6,183,981	984,700	6,342,116	(6,973)	(6,335,143)	1,016,101
Cosan Luxembourg S.A.	3,361,152	(3,387,801)	(26,649)	(74,084)	3,157,733	(3,039,739)	(117,994)	(204,315)
Cosan Global	98,023	-	98,023	(3,526)	94,497	-	(94,497)	183
Cosan Biomassa	172,895	(214,712)	(41,817)	(34,637)	167,154	(174,333)	7,179	(46,566)
Tellus Brasil Participações Ltda	2,097,536	(120,783)	1,976,753	110,185	2,029,201	(99,135)	(1,930,066)	97,044
Janus Brasil Participações S.A.	1,981,825	(142,347)	1,839,478	133,134	1,753,327	(162,531)	(1,590,796)	116,357
Usina Santa Luiza S.A.	110,629	(22,993)	(87,636)	(74,467)	37,218	(24,050)	(13,168)	(5,625)

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

b. Consolidated

	Shares issued by the associate	Shares held by Cosan	Cosan ownership interest	Economic benefit (%)
Radar II Propriedades Agrícolas S.A.	81,440,221	24,920,708	51.00%	3.00%
Radar Propriedades Agrícolas S.A.	1,735,703	531,125	51.00%	2.51%
Tellus Brasil Participações S.A.	120,920,492	61,359,624	50.74%	5.00%
Usina Santa Luiza S.A.	28,553,200	9,516,782	33.33%	33.33%
Janus Brasil Participações S.A.	207,712,545	105,461,644	50.77%	5.00%
Novvi Limited Liability Company	1,011,000	202,200	17.82%	17.82%

	At January 1, 2018	Interest in earnings (losses) of subsidiaries	Other comprehensive income (losses)	Dividends	Increase/reduction of capital	Other	At December 31, 2018
Tellus Brasil Participações S.A.	98,723	5,618	-	(3,232)	-	-	101,109
Novvi Limited Liability Company	11,756	(524)	2,217	-	-	-	13,449
Janus Brasil Participações S.A.	51,426	9,142	-	(4,386)	37,639	-	93,821
Radar Propriedades Agrícolas S.A.	57,533	2,528	202	(678)	-	-	59,585
Radar II Propriedades Agrícolas S.A.	31,127	1,634	42	(566)	-	-	32,237
Usina Santa Luiza S.A.	4,389	22,987	-	-	1,833	-	29,209
Other	4,458	(94)	704	-	-	40	5,108
	259,412	41,291	3,165	(8,862)	39,472	40	334,518

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	At January 1, 2017	Interest in earnings (losses) of subsidiaries	Other comprehensive income (losses)	Dividends	Increase/reduction of capital	Other	At December 31, 2017
Tellus Brasil Participações S.A.	97,002	4,972	-	(3,251)	-	-	98,723
Novvi Limited Liability Company	18,838	(7,665)	583	-	-	-	11,756
Janus Brasil Participações S.A.	33,998	3,014	3,181	(1,840)	13,073	-	51,426
Radar Propriedades Agrícolas S.A	55,148	3,128	232	(975)	-	-	57,533
Radar II Propriedades Agrícolas S.A	30,537	1,704	46	(1,160)	-	-	31,127
Usina Santa Luiza S.A.	-	8,979	-	-	1,433	(6,023)	4,389
Other	4,577	(1,202)	-	-	-	1,083	4,458
	240,100	12,930	4,042	(7,226)	14,506	(4,940)	259,412

Financial information of associates:

	December 31, 2018				December 31, 2017			
	Assets	Liabilities	Shareholders' equity	Profit or (loss) in the year	Assets	Liabilities	Shareholders' equity	Profit or (loss) in the year
Radar Propriedades Agrícolas S.A.	2,240,694	(302,946)	1,937,748	100,628	2,362,536	(63,915)	(2,298,621)	125,441
Radar II Propriedades Agrícolas S.A.	829,739	(18)	829,721	54,509	1,026,024	(53)	(1,025,971)	56,197
Novvi Limited Liability Company	81,729	(6,255)	75,474	11,750	42,739	(7,095)	(35,644)	(24,415)
Tellus Brasil Participações Ltda	2,097,536	(120,783)	1,976,753	110,185	2,029,201	(99,135)	(1,930,066)	97,044
Janus Brasil Participações S.A.	1,981,825	(142,347)	1,839,478	133,134	1,753,327	(162,531)	(1,590,796)	116,357
Usina Santa Luiza S.A.	110,629	(22,993)	(87,636)	(74,467)	37,218	(24,050)	(13,168)	(5,625)

8.2 Business combination

Accounting policy

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.

For each business combination, the Company elects to measure any non-controlling interests in the acquisition either:

- i. at fair value; or
- ii. at their proportionate share of the acquirer's identifiable net assets, which are generally at fair value.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Contingent consideration depends on an acquired business achieving targets within a fixed period. Estimates of future performance are required to calculate the obligations at the time of acquisition and at each subsequent reporting date. Additionally, estimates are required to value the assets and liabilities acquired in business combinations. Intangible assets such as brands are commonly a core part of an acquired business as they allow us to obtain more value than would otherwise be possible.

Measurement of fair values

In the measurement of fair values, valuation techniques were used, considering market prices for similar items, discounted cash flow, among

others.

Since this is a preliminary measurement of fair value, if new information obtained within one year from the date of acquisition on the facts and circumstances that existed at the date of acquisition, indicate adjustments in the amounts mentioned above, or any additional provision that existed on the date of acquisition, the acquisition accounting will be reviewed. Management's expectation is that only the measurement of intangibles could have some kind of impact in relation to this preliminary assessment.

On October 13, 2017, Cosan, through its indirect subsidiary Moove Lubricants, acquired 100% of the common shares of Stanbridge. On June 30, 2018, Moove Lubricants supplemented the price paid for the acquisition, due to the fulfillment of certain contractual conditions, which generated an increase in consideration of R\$ 31,726. In addition, after compliance with the contractual conditions and revision of the fair value of the transaction, the remaining balance and the additional consideration were settled in cash in the amount of R\$ 36,023. Additionally, part of the purchase price was allocated in "Customer Relationship" at the amount of R\$ 136,626 (Note 14).

Acquisition

Throughout 2018 the subsidiary Cosan Lubes Investments Limited ("CLI") has been expanding its lubricant production and distribution business abroad, through the following acquisitions:

Name of the company	TTA	Lubrigrupo II	Metrolube
Locality	Lonrai, France	Viseu, Portugal	New York, USA
Description of operation	Distribution of lubricants		
Date of acquisition	May 31, 2018	May 31, 2018	December 20, 2018
Percentage acquired	75%	100%	100%

a) Transferred consideration

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

The fair value at the acquisition date of the consideration transferred from the three combined businesses totaled R\$ 168,432, see details below:

	TTA	Lubrigrupoll	Metrolube	Total
Cash and cash equivalents	44,235	6,106	66,360	116,701
Transferred consideration	-	5,233	46,498	51,731
Total transferred consideration	44,235	11,339	112,858	168,432

b) Identifiable assets acquired and liabilities assumed

The fair value of the assets and liabilities acquired is shown below:

	TTA	Lubrigrupoll	Metrolube	Total
Trade receivables	34,997	3,830	12,066	50,893
Inventories	12,251	3,405	13,799	29,455
Other current assets	5,335	73	2,340	7,749
Property, plant and equipment	5,288	30	6,867	12,185
Intangible assets	-	1	32,936	32,937
Loans, borrowings and debentures	(8,281)	-	-	(8,281)
Trade payables	(27,388)	(3,102)	(21,903)	(52,393)
Other current liabilities	(5,919)	(1,049)	(796)	(7,766)
Non-controlling interests	(6,872)	-	-	(6,872)
Total net assets acquired	9,411	3,188	45,309	57,907

c) Measurement of fair values

Accounts receivable of R \$ 16,431 is net of provision for expected losses in the amount of R \$ 1,184.

The inventory acquired of R\$ 16,420 is net of provision for obsolescence in the amount of R\$ 1,237.

The consolidated statement of income includes, since the respective acquisition dates, net income and profit of the subsidiaries acquired as described below:

	TTA	Lubrigrupoll	Total
Net sales	122,424	14,895	137,319
Profit	2,642	874	3,516

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

If the subsidiaries acquired had been consolidated since January 1, 2018, the consolidated statement of income for the year ended December 31, 2018 would have a net revenue of R\$ 10,387,774 and a net income of R\$ 1,905,499.

The measurement of the non-controlling shareholder of the subsidiary TTA was calculated by its proportionate share of net identifiable assets.

d) Preliminary Goodwill

The fair value at the acquisition date of the preliminary goodwill consisted of the following:

	TTA	Lubrigrupoll	Metrolube	Total
Transferred consideration, net of cash acquired ⁽ⁱ⁾	33,028	10,044	112,858	155,931
Total net assets acquired at fair value	9,411	3,188	45,309	57,907
	23,618	6,856	67,548	98,023
Preliminary Goodwill				

(i) Cash effect of the consideration transferred R\$ 99,625.

8.3 Non-controlling interests in subsidiaries

Accounting policy

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

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

	Shares issued by the subsidiary	Shares held by non- controlling shareholders	Non- controlling interest
Comgás	132,023,251	26,243,394	19.88%
TTA	10,521	2,630	25.00%

The following table summarizes the information relating to each of the Company's subsidiaries that has material non-controlling interests, before any intra-group elimination.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	At January 1, 2018	Interest in earnings (losses) of subsidiaries	Sales or purchase of interests	Other comprehensive income (losses)	Dividends	New standards adopted by Company	Business combination	Other	At December 31, 2018
Comgás	850,595	250,774	12,287	(6,418)	(118,945)	(1,280)	-	345	987,358
Other	-	656	-	(795)	-	-	7,199	-	7,060
	850,595	251,430	12,287	(7,213)	(118,945)	(1,280)	7,199	345	994,418

	At January 1, 2017	Interest in earnings (losses) of subsidiaries	Sales or purchase of interests	Other comprehensive income (losses)	Dividends	Other	At December 31, 2017
Comgás	1,826,733	195,206	(753,019)	(3,130)	(428,603)	13,408	850,595

Summarized balance sheet:

	Comgás		TTA
	December 31, 2018	December 31, 2017	December 31, 2018
Current			
Assets	3,223,524	3,292,492	65,746
Assets	8,836,357	9,104,142	6,528
Net current assets	12,059,881	12,396,634	72,274
Non-current			
Liabilities	(1,915,211)	(3,126,675)	(43,895)
Liabilities	(4,981,805)	(4,730,870)	(80)
Net non-current assets	(6,897,016)	(7,857,545)	(43,975)
Equity	5,162,865	4,539,089	28,299

Summarized statement of profit or loss and other comprehensive income:

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	Comgás		TTA
	December 31, 2018	December 31, 2017	December 31, 2018
Net sales	6,840,011	5,537,857	122,424
Profit before taxes	1,799,963	795,629	3,963
Income tax expenses	(540,995)	(235,972)	(1,321)
Profit for the year	1,258,968	559,657	2,642
Other comprehensive income (loss)	1	(15,585)	(795)
Total comprehensive income	1,258,969	544,072	1,847
Comprehensive income attributable to non-controlling interests	250,256	109,501	462
Dividends paid	756,767	1,121,407	-

Summarized statements of cash flows:

	Comgás		TTA
	December 31, 2018	December 31, 2017	December 31, 2018
Net cash generated by (used in) operating activities	1,573,171	1,637,103	(1,567)
Net cash generated by (used in) investing activities	(1,121,605)	(634,776)	6,230
Net cash provided by (used in) financing activities	(1,576,470)	(1,383,142)	9,009
Increase (decrease) in cash and cash equivalents	(1,124,904)	(380,815)	13,672
Cash and cash equivalents at the beginning of year	1,727,520	2,108,336	11,756
Effect of exchange rate fluctuations on cash held	-	-	(11,894)
Cash and cash equivalents at the end of year	602,616	1,727,521	13,534

9 Investments in joint ventures

Accounting policy

The Company entered into an agreement to form two jointly-owned subsidiaries, accounting for 50% of the economic benefits of the companies.

Cosan holds joint control of Raízen Combustíveis and Raízen Energia by virtue of its 50% equity interest in both companies and the requirement of unanimous consent of all shareholders on the decisions related to significant activities. Investments were classified as jointly-owned subsidiaries and, therefore, the equity method is used for all periods presented in these consolidated financial statements.

The jointly controlled agreements require the unanimous consent of all parties for all relevant activities. The two partners have direct rights over the assets of the company and are jointly and severally liable for the liabilities incurred by the partnership.

Changes to investments in joint ventures were as follows:

	Consolidated		
	Raízen Combustível	Raízen Energia	Total
Shares issued by the joint venture	1,661,418,472	7,243,283,198	
Shares held by Cosan	830,709,236	3,621,641,599	
Interest rate	50%	50%	
At January 1, 2017	3,190,821	5,315,574	8,506,395
Interest in earnings of joint ventures	694,015	291,075	985,090
Other comprehensive (losses) income	(5,349)	209,412	204,063
Interest on capital	(42,000)	-	(42,000)
Dividends	(651,500)	(554,249)	(1,205,749)
At December 31, 2017	3,185,987	5,261,812	8,447,799
Interest in earnings of joint ventures	693,226	253,056	946,282
Other comprehensive (losses) income	8,358	(54,881)	(46,523)
Interest on capital	(88,200)	-	(88,200)
Changes in the accounting policies adopted by the Company	(1,258)	(82)	(1,340)
Dividends	(693,500)	(486,611)	(1,180,111)
At December 31, 2018	3,104,613	4,973,294	8,077,907

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

The statement of financial position and statement of profit or loss of the joint ventures are disclosed in Note 4, 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 tax amnesty and refinancing program (*Programa de Refinanciamento*), or REFIS, recorded in "Other taxes payable." Additionally, Cosan granted access to Raízen a credit line (stand-by facility) in the amount of U.S.\$ 350,000 thousand, which was unused at December 31, 2018.

10 Property, plant and equipment, intangible assets and goodwill

Accounting policy

Impairment:

The recoverable amount is determined based on calculations of the value in use, using the discounted cash flow determined by Management based on budgets that take into account the assumptions related to each business, using information available in the market and previous performance. Discounted cash flows were drawn up over a ten-year period and carried forward in perpetuity without considering a real growth rate. Management understands the use of periods greater than five years in the preparation of discounted cash flows as it reflects the estimated time of use of the asset and business groups.

The Company performs annually a review of impairment indicators for intangible assets with defined 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.

Assumptions used in discounted cash flow projections – estimates of future business performance, cash generation, long term growth and discount rates are used in our assessment of impairment of assets at the balance sheet date. No reasonably plausible changes in a key assumption would cause impairment. The key assumptions used to determine the recoverable amount of the different cash generating units to which goodwill is allocated are explained below.

12.1 Property, plant and equipment

Accounting policy

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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.

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, recognized in profit or loss, unless it is capitalized as part of the cost of another asset. Land is not depreciated.

Depreciation methods, such as useful lives and residual values, are reviewed at the end of each year, or when there is significant change without an expected

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

consumption pattern such as relevant incident and technical obsolescence. Any adjustments are recognized as changes in accounting estimates, if appropriate

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	4% to 5%
Machinery, equipment and facilities	8% to 11%
Airplanes, vessels and vehicles	10% to 20%
Furniture and fixtures	10% to 15%
Computer equipment	20%

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

a) Reconciliation of carrying amount

	Consolidated					Parent Company
	Land, buildings and improvements	Machinery, equipment and facilities	Construction in progress	Other	Total	Total
Cost						
At January 1, 2017	243,054	186,705	40,020	56,315	526,094	34,774
Additions	38	-	44,937	620	45,595	5,854
Business combinations	-	2,867	-	17,736	20,603	-
Disposals	-	(5,505)	-	(1,019)	(6,524)	(284)
Transfers ⁽ⁱ⁾	5,132	15,793	(28,158)	(11,886)	(19,119)	(289)
At December 31, 2017	248,224	199,860	56,799	61,766	566,649	40,055
Additions	565	8,702	207,506	8,173	224,946	47,863
Business combinations	-	-	-	5,699	5,699	-
Disposals	(1,865)	(4,903)	-	(5,717)	(12,485)	(1,056)
Transfers ⁽ⁱ⁾	6,799	24,400	(211,474)	50,039	(130,236)	(1,068)
Effect of exchange rate fluctuation	21,251	14,640	2,259	9,361	47,511	-
At December 31, 2018	274,974	242,699	55,090	129,321	702,084	85,794
Depreciation						
At January 1, 2017	(40,993)	(57,965)	-	(37,807)	(136,765)	(13,197)
Additions	(9,761)	(18,829)	-	(6,976)	(35,566)	(4,357)
Disposals	-	3,897	-	713	4,610	-
Transfers ⁽ⁱ⁾	-	(801)	-	14,198	13,397	2
At December 31, 2017	(50,754)	(73,698)	-	(29,872)	(154,324)	(17,552)
Additions	(11,435)	(19,768)	-	(9,717)	(40,920)	(3,575)
Disposals	1,201	4,576	-	4,801	10,578	935
Transfers ⁽ⁱ⁾	(1,500)	2,292	-	(94)	698	1,049
Effect of exchange rate fluctuation	(3,197)	(10,724)	-	(5,782)	(19,703)	-
At December 31, 2018	(65,685)	(97,322)	-	(40,664)	(203,671)	(19,143)
At December 31, 2017	197,470	126,162	56,799	31,894	412,325	22,503
At December 31, 2018	209,289	145,377	55,090	88,657	498,413	66,651

(i) Refer to transfers of property, plant and equipment as a result of the capitalization of said assets.

5.1 Intangible assets and goodwill

Accounting policy

a) Goodwill

Goodwill is initially recognized based on the accounting policy for business combinations (see Note 8.2). Goodwill is measured at cost less accumulated impairment losses.

Goodwill acquired in a business combination is allocated to the Company's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination.

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) Customer relationships

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.

d) Concession rights agreement

The subsidiary Comgás has a public concession agreement for a gas distribution service in which the Concession Authority controls what services will be provided and the price, as well it holds a significant participation in the infrastructure at the end of the concession. This concession agreement represents the right to charge users for gas supply during the term of the agreement. Accordingly, 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 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.

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.

e) 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.

f) 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.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	Consolidated					Parent Company
	Goodwill	Concession rights	Trademarks	Customer relationships	Other	Total
Cost						
At January 1, 2017	614,808	9,349,819	252,474	946,824	252,465	11,416,390
Additions	-	361,946	-	65,813	45,628	473,387
Business combinations ⁽ⁱ⁾	136,626	-	-	-	9,299	145,925
Disposals	-	(182,339)	-	(11,554)	(1)	(193,894)
Transfers	-	3,418	-	(11,696)	13,572	5,294
At December 31, 2017	751,434	9,532,844	252,474	989,387	320,963	11,847,102
Additions	-	412,053	-	77,931	74,025	564,009
Business combinations ⁽ⁱ⁾	(6,878)	-	-	136,626	32,936	162,684
Disposals	-	(131,263)	(228,270)	(402,266)	(66,800)	(828,599)
Transfers	-	14,102	-	(74,632)	2,647	(57,883)
Effect of exchange rate fluctuation	38,227	-	13,673	15,817	11,002	78,719
At December 31, 2018	782,783	9,827,736	37,877	742,863	374,773	11,766,032
Depreciation						
At January 1, 2017	-	(1,109,298)	(182,616)	(668,695)	(127,631)	(2,088,240)
Additions	-	(369,116)	(22,827)	(127,584)	(40,628)	(560,155)
Disposals	-	143,331	-	8,132	-	151,463
Transfers	-	(247)	-	721	(46)	428
At December 31, 2017	-	(1,335,330)	(205,443)	(787,426)	(168,305)	(2,496,504)
Additions	-	(360,910)	(22,827)	(105,773)	(46,677)	(536,187)
Disposals	-	94,133	228,270	400,679	65,965	789,047
Transfers	-	(360)	-	179,636	383	179,659
Effect of exchange rate fluctuation	-	-	-	(1,735)	(3,836)	(5,571)
At December 31, 2018	-	(1,602,467)	-	(314,619)	(152,470)	(2,069,556)
At December 31, 2017	751,434	8,197,514	47,031	201,961	152,658	9,350,598
At December 31, 2018	782,783	8,225,269	37,877	428,244	222,303	9,696,476

(i) The goodwill of the acquisitions, according to note 8.2, are composed of: a) Stambridge R\$ 31,726; b) TTA R\$ 23,618; c) Lubrigrupoll R\$ 6.856; d) Commercial Lubricants, LLC (d/b/a Metrolube R\$ 67,548; and e) allocation of the purchase price of R\$ 136,626.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Capitalization of borrowing costs

Capitalized borrowing costs for the year ended December 31, 2018, R \$ 9,917 was capitalized at an average rate of 8.94% pa. (R \$ 9,799 and 8.43% on December 31, 2017).

Amortization methods and useful lives

Intangible assets (excluding goodwill)	Annual rate of amortization %	December 31, 2018	December 31, 2017
Comgás ⁽ⁱ⁾	Concession term	8,225,269	8,197,514
		8,225,269	8,197,514
Trademarks:			
<i>Mobil</i>	10.00%	-	22,827
<i>Comma</i>	-	37,877	24,204
		37,877	47,031
Relationship with customers:			
Comgás	20.00%	149,890	174,459
Moove	6.00%	278,354	27,502
		428,244	201,961
Other			
Software license	20.00%	142,937	135,808
Other		79,366	16,850
		222,303	152,658
Total		8,913,693	8,599,164

- (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;

Impairment testing of cash-generating units ("CGU") goodwill

The combined carrying amounts of goodwill allocated to each cash-generating unit are as follows:

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	December 31, 2018	December 31, 2017
Moove cash generating unit	782,740	751,391
Cosan cash-generating unit other business	43	43
Total goodwill	782,783	751,434

The main assumptions used mainly consider the expectation of growth of operations based on the Gross Domestic Product segmented by country, as well as the levels of average growth experienced in recent years and other macroeconomic aspects, as well as the expectation of stock sale price, using discount rates that reflect specific business-related risks.

All these future cash flows were discounted at a rate of 10.4% (weighted-average cost of capital) and a growth rate of the final value of 4% from 2027 reflecting specific risks related to the relevant assets in its cash generating unit.

An increase of 6.3 percentage points in the discount rate should change so that the estimated recoverable amount is equal to the book value. The dollar has an impact on projections and, therefore, a fluctuation of in exchange rate would have an effect on the estimate.

As of December 31, 2018, no expense for impairment of assets and goodwill was recognized. The determination of the recoverability of the assets depends on certain key assumptions as described above that are influenced by the market, technological and economic conditions in place at the time that such recovery is tested, and therefore, it is not possible to determine whether new reduction losses of recovery will occur in the future and, if they occur, whether these would be material.

11 Commitments

a) Commitments for the acquisition of assets and regulatory targets

The balance of this account is considered as an asset or liability in accordance with the chart of accounts of the Regulatory. However, this account is excluded from the financial statements prepared in accordance with accounting practices adopted in Brazil and also IFRS, since the respective balance is not recorded as an asset or a liability, since its realization or settlement depends on future consumption by different consumers of the subsidiary Comgás. Therefore, the balances presented below are not recognized in the financial statements.

Regulatory assets (liabilities):

	December 31, 2018	December 31, 2017
Cost of gas to be recovered/(transferred)	504,175	(174,090)
Credits of taxes to be recovered/(transferred)	(252,816)	(46,807)
	251,359	(220,897)
Revenue not recognized in the statement of income before income tax and social contribution	472,256	193,114
Regulatory assets (liabilities)	672,810	243,722
Regulatory assets (liabilities) tax	(127,815)	(12,222)
	544,995	231,500
Adjustment	3,713	(26,119)
Extemporaneous credits	(76,452)	(12,267)
	472,256	193,114

b) Commitments with supply contracts

Considering the current gas supply contracts, the subsidiary Comgás has a total financial commitment in an estimated present value of R\$ 13,525,873, which amount includes the minimum established in contract in both commodity and transportation.

c) Commitments to rental agreements

As of December 31, 2018 and 2017, the future non-cancellable future operating lease payments are as follows:

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Rental contracts for real estate and whose expenses recognized during the year then ended totaled R \$ 2,765 (December 31, 2017 - R\$ 2,847).

The terms of the lease are from one to six years, and most leases are renewable at the end of the lease period at the market rate.

The total future minimum lease payments under the gross operating leases are:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
More than one year	2,491	3,035
More than one year and less than five years	8,390	8,010
More than five years	3,496	5,013
	<u>14,377</u>	<u>16,058</u>

12 Other taxes payable

Accounting policy

The Company is subject to different taxes and levies such as municipal, estate and federal taxes, tax on deposits to and withdrawals from bank accounts, turnover taxes, regulatory fees and income taxes, among other, that represent an expense for the Company. It is also subject to other taxes over its activities that generally do not represent an expense.

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Tax amnesty and refinancing program - Refis	199,582	200,484	206,687	207,790
ICMS – State VAT	-	-	91,512	118,497
COFINS - Revenue tax	44,966	114,854	44,210	144,351
PIS - Revenue tax	6,798	24,452	6,602	30,825
Other	2,724	1,513	10,423	30,180
INSS - Social security	818	586	1,288	1,134
	<u>254,888</u>	<u>341,889</u>	<u>360,722</u>	<u>532,777</u>
Current	<u>110,507</u>	<u>198,569</u>	<u>209,878</u>	<u>382,150</u>
Non-Current	<u>144,381</u>	<u>143,320</u>	<u>150,844</u>	<u>150,627</u>

The amounts due on non-current liabilities present the following maturity schedule:

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
13 to 24 months	13,498	13,214	13,498	13,214
25 to 36 months	10,987	13,402	10,987	13,402
37 to 48 months	10,987	10,895	10,987	10,895
49 to 60 months	10,987	10,895	10,987	10,895
61 to 72 months	10,979	10,895	10,979	10,895
73 to 84 months	8,251	10,454	8,251	10,454
85 to 96 months	8,251	8,251	8,251	8,251
Thereafter	70,441	65,314	76,904	72,621
	144,381	143,320	150,844	150,627

13 Income tax and social contribution

Accounting policy

The income taxes rate is 34%. Current tax and deferred tax are recognized in profit or loss except for some transactions that are recognized directly in equity or in other comprehensive income.

(i) 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.

(ii) 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.

The measurement of deferred tax reflects the way the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 and the same taxable entity

(iii) Tax exposure

In determining the amount of current and deferred tax, the Company considers 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.

Recoverability of deferred income tax and social contribution

In assessing the recoverability of deferred taxes, management considers the projections of future taxable income and the movements of temporary differences. When it is not probable that part or all the taxes will be realized, the tax asset is reversed. There is no deadline for the use of tax loss carryforwards and negative bases, but the use of these accumulated losses of previous years is limited to 30% of annual taxable profits.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

a) Reconciliation of income and social contribution tax expenses

	Parent company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Profit before taxes	1,662,663	1,606,191	2,420,874	1,968,255
Income tax and social contribution nominal rate (34%)	(565,305)	(546,105)	(823,097)	(669,207)
<i>Adjustments to determine the effective rate</i>				
Equity method investments (nontaxable income)	677,966	339,392	335,775	339,327
Non-deductible expenses (donations, gifts, etc.)	(4,881)	(30,458)	(11,300)	(50,866)
Stock options	(1,334)	(2,030)	(1,334)	(2,030)
Interest capital - benefit	(37,933)	(45,177)	(19,777)	(21,140)
Other temporary differences	-	-	(11,821)	(16,434)
Differences in tax rates on earnings / losses of overseas companies	(1,634)	-	12,112	(18,140)
Tax effects of discounts granted - PERT	-	-	-	(4,438)
Tax loss carryforwards from previous years recorded	-	(3,554)	-	(3,554)
Reversal of ICMS on the tax basis of calculation of PIS and COFINS	(66,396)	-	-	-
Other	(10,825)	(2,935)	2,319	(11,243)
Income tax and social contribution expense (current and deferred)	(10,342)	(290,867)	(517,123)	(457,725)
Effective rate	0.62%	18.11%	21.36%	23.26%

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

b) Deferred income tax assets and liabilities

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are presented below:

	Parent company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Assets credit of:				
Income tax loss carry forwards	188,370	193,812	403,511	401,541
Social contribution tax loss carry forwards	68,842	70,800	146,942	146,233
Temporary differences	-	-		
Foreign exchange - Loans and borrowings	776,142	495,957	789,220	548,568
Legal proceedings provision	48,156	55,597	186,148	160,386
Tax deductible goodwill	-	-	-	56,276
Provisions for employee benefits	-	-	175,178	153,434
Allowance for doubtful accounts	-	27	11,731	3,508
Regulatory asset (liability)	-	-	59,597	65,318
Impairment of tax credit	6,985	6,985	37,916	30,809
Share-based payment transactions	-	1,311	869	1,602
Profit sharing	5,508	3,462	13,119	11,207
Interest on preferred shareholders payable in subsidiaries	155,562	218,599	155,562	218,599
Property, plant, equipment and intangible - useful life review	-	-	(284,774)	(312,113)
Contract disputes	-	-	-	86,482
Provisions	47,692	45,173	103,988	133,584
Other	-	-	15,056	6,985
Deferred taxes - Assets	1,297,257	1,091,723	1,814,063	1,712,419
(-) Deferred taxes assets not recognized	-	-	(27,493)	(18,040)
Liabilities credit of:				
Temporary differences				
Business combination - Property, plant and equipment	-	-	(25,219)	(26,025)
Tax deductible goodwill	(21,823)	(21,823)	(365,411)	(329,271)
Lease	-	-	(14)	(14)
Concession contract	-	-	(6,745)	(8,681)
Unrealized (loss) gains on derivatives instruments (i)	(327,080)	(156,081)	(441,902)	(154,044)
Income on formation of joint ventures	(1,135,036)	(1,135,036)	(1,135,036)	(1,135,036)
Business combination - Intangible asset	-	-	(1,146,823)	(1,161,630)
Other	-	(51,951)	88,698	(16,741)
Total	(1,483,939)	(1,364,891)	(3,032,452)	(2,831,442)
Total of deferred taxes recorded	(186,682)	(273,168)	(1,245,882)	(1,137,063)
Deferred income tax - Assets	-	-	494,498	474,804
Deferred income tax - Liabilities	(186,682)	(273,168)	(1,740,380)	(1,611,867)

- (i) The subsidiary Comgás changed the regime for the taxation of foreign exchange variation of the loans and financing from cash basis to accrual accounting for fiscal year 2018, therefore the deferred taxes on

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

gains of income not realized with derivatives, started to be presented as deferred tax liability. Previously they were offset by the losses

December 31, 2018, the Company has the following expectation of realization of deferred tax assets on tax losses, negative basis of social contribution and temporary differences:

	Consolidated
Within 1 year	25,889
From 1 to 2 years	31,192
From 2 to 3 years	36,193
From 3 to 4 years	42,636
From 4 to 5 years	49,585
From 5 to 8 years	181,019
From 8 to 10 years	127,984
	494,498

c) Changes in deferred tax

	Parent company	Consolidated
At January 1, 2017	6,987	(778,536)
Income tax recognized in profit or loss	(283,709)	(369,255)
Income tax recognized in other comprehensive income	-	8,201
Income tax recognized directly in equity	3,554	3,554
Other	-	(1,027)
At December 31, 2017	(273,168)	(1,137,063)
Recognized in profit or loss	6,499	(121,166)
Other comprehensive income	-	27,184
Tax loss carryforwards used to settle other tax installments	2,104	2,104
Business combination	-	(24,164)
Income tax recognized directly in equity	77,883	-
Other	-	7,223
At December 31, 2018	(186,682)	(1,245,882)

The Company expects to realize the full deferred tax on tax losses and social contribution.

14 Provision for legal proceedings

Accounting policy

Provisions for legal proceedings are recognized as other expenses 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.

The Company had contingent liabilities at December 31, 2018 and 2017 in respect of:

Provision for legal proceedings				
Parent company		Consolidated		
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Tax	126,088	94,004	457,361	432,350
Civil, environmental and regulatory	86,279	105,708	216,991	226,825
Labor	93,984	115,079	174,163	186,947
	306,351	314,791	848,515	846,122

Judicial deposit				
Parent company		Consolidated		
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Tax	308,745	236,921	424,412	352,612
Civil, environmental and regulatory	13,815	13,890	35,947	33,765
Labor	31,994	32,230	48,039	48,035
	354,554	283,041	508,398	434,412

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Changes in provision for legal proceedings:

	Parent company			
	Tax	Civil, environmental and regulatory	Labor	Total
At January 1, 2017	85,658	67,426	134,212	287,296
Provisions	8,669	44,320	35,391	88,380
Settlement / Write-offs	(7,400)	(15,838)	(46,582)	(69,820)
Monetary variation	7,077	9,800	(7,942)	8,935
At December 31, 2017	94,004	105,708	115,079	314,791
Provisions	5,408	5,322	28,009	38,739
Settlement / Write-offs	(17)	(23,426)	(42,162)	(65,605)
Monetary variation ⁽ⁱ⁾	26,693	(1,325)	(6,942)	18,426
At December 31, 2018	126,088	86,279	93,984	306,351

	Consolidated			
	Tax	Civil, environmental and regulatory	Labor	Total
At January 1, 2017	405,060	189,861	166,621	761,542
Provisions	14,155	69,320	71,786	155,261
Settlement / Write-offs	(9,293)	(30,332)	(59,339)	(98,964)
Monetary variation	22,428	(2,024)	7,879	28,283
At December 31, 2017	432,350	226,825	186,947	846,122
Provisions	5,633	28,847	38,683	73,163
Settlement / Write-offs	(17,849)	(31,703)	(50,107)	(99,659)
Transfers	7,178	(7,178)	-	-
Monetary variation ⁽ⁱ⁾	30,049	200	(1,360)	28,889
At December 31, 2018	457,361	216,991	174,163	848,515

(i) Includes interest reversal.

The Company's debts with legal proceedings are secured by assets, cash deposit, bank guarantee or insurance guarantee.

a) Probable losses

Tax: The principal tax proceedings for which the risk of loss is probable are described below:

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	Parent company		Consolidated	
	December	December	December	December
	31, 2018	31, 2017	31, 2018	31, 2017
Compensation with FINSOCIAL ⁽ⁱ⁾	-	-	286,929	280,158
INSS - Social security ⁽ⁱⁱ⁾	56,707	54,645	67,592	65,149
State VAT - ICMS credit ⁽ⁱⁱⁱ⁾	30,735	29,404	39,135	43,848
IPI - Excise tax credit - NT	28,931	678	28,931	678
PIS and COFINS	16	15	160	155
Federal income taxes	66	-	1,589	1,521
Other	9,633	9,262	33,025	40,841
	126,088	94,004	457,361	432,350

- (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) The amounts that have been provisioned are mainly related to social security contributions levied on company's earnings, pursuant to Article 22-A of the 8.212/91 Law, which are being challenged on the grounds of constitutionality. Judicial deposits have been made monthly for the corresponding amounts.
- (iii) 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 Álcool; (c) assessment notice related to the ICMS offset arising from the fact that the forward presumed profit is bigger than the consummated profit, under tributary substitution regime.

Civil, regulatory, environmental and other claims: Company and its subsidiaries are parties to a number of civil legal claims related to (i) indemnity for material and moral damages; (ii) termination of different kinds of agreements (iii) public civil

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

claims related to sugarcane stubble burning; (iv) environmental matters; and (v) other matters.

As of December 31, 2018, R\$ 35,947 in judicial deposits were made for civil and environmental claims, and this figure was R\$ 33,947 as of December 31, 2017. The Company and its subsidiaries are also parties to proceedings related to other issues.

Labor claims: Cosan and its subsidiaries also participate in several labor claims filed by former employees and service providers, questioning, among other issues, the payment of: overtime and reflexes; Extra nocturnal, unhealthy, dangerous; non-compliance with regulatory standards of the Ministry of Labor; supposed inadequate working conditions; reintegration into employment; compensation for moral and material damages resulting from an accident at work and other grounds; refund of payroll deductions, such as confederation contribution, union contribution and others; recognition of an uninterrupted shift; warning; collective moral damages; wage differences; subsidiary liability; and others. In addition, we are involved in a number of public civil actions filed by the Labor Ministry in relation to alleged noncompliance with certain labor regulations, including labor and safety rules, working conditions and the work environment and social assistance; In addition, we have entered into some Terms of Conduct Adjustment, but determinations of consent (Conduct Adjustment Conditions) with the Brazilian authorities.

b) Possible losses

The principal proceedings for which we deem the risk of loss as possible are described below:

	Parent company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Tax	4,499,830	4,819,403	8,404,359	8,300,365
Civil and environmental	820,890	620,702	1,524,691	1,342,822
Labor	97,952	201,247	145,567	255,779
	5,418,672	5,641,352	10,074,617	9,898,966

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Tax:

	Parent company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Federal income taxes ⁽ⁱ⁾	660,208	532,246	2,867,881	2,394,273
ICMS - state VAT ⁽ⁱⁱ⁾	1,542,607	1,614,146	1,978,627	2,006,898
PIS and COFINS ⁽ⁱⁱⁱ⁾	1,327,528	1,285,519	1,344,012	1,286,306
IRRF - Withholding tax ^(iv)	1,314	1,292	871,009	840,603
IPI - Excise tax credit – NT ^(vi)	360,398	443,483	490,500	523,121
INSS - Social security ^(v)	208,450	531,297	260,712	556,252
MP 40 - Tax installments ^(vi)	185,236	180,291	185,236	180,291
Compensations tax on loan ^(vii)	134,642	132,270	134,642	132,270
Other	79,447	98,859	271,740	317,246
	4,499,830	4,819,403	8,404,359	8,237,260

- (i) The Company, and its controlled companies, received assessment notices based on the following: (a) tax benefits that arose from the deduction of goodwill amortization, (b) exchange variation and interest incurred as the tax authorities understand that the corporate transactions carried out were intended to postpone the settlement of debt contracted abroad through the issuance of Perpetual Bonds, in order to reduce Positive result of exchange variation, (c) the subsidiary Comgás was known of the no recognition of the offsetting procedures made in 2015, using income taxes credits (IRPJ), and (d) notices of infraction of an isolated fine of 50%, resulting from non-homologation of compensations made through PER/DCOMP.);
- (ii) The possible judicial claims related to ICMS involve, essentially:
- (a) The part related to the fine required in the tax assessment notices recorded for alleged non-payment of ICMS and non-compliance with ancillary obligations, in an agricultural partnership operation and in the period from May to December 2006 and May to December 2007. In these cases, the company appears as jointly and severally liable; (b) ICMS levied on the exits of crystallized sugar destined for export, benefiting from the Tax Immunity which, in the understanding of the economy, would be a semi-elaborated commodity; (c) tax assessments

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

relating to the collection of ICMS tax differential arising from sales of ethanol to companies located in other States of the Federation, which, in turn, had their state registration canceled; (d) ICMS requirement arising from the gloss of diesel oil credits used in the agro industrial production process; (e) ICMS requirement arising from alleged inventory differences. (f) ICMS requirement arising from the credit claims arising from the acquisition of goods from companies that, after the operations, had their state registration canceled; (g) ICMS tax due to tax substitution and fiscal war;

- (iii) 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;
- (iv) The subsidiary Cosan Lubrificantes e Especialidades SA had an assessment notice drawn up for the collection of Withholding Income Tax ("IR / Source"), in the capacity of tax officer, due to the alleged capital gain arising from acquisition of assets of companies located abroad. The subsidiary Comgás had an assessment notice drawn up for the collection of Withholding Income Tax ("IR / Source") on capital gain, the contingency of which is the responsibility of the former controlling shareholder under contractual provisions;

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

- (v) The lawsuits related to IPI are mainly related to SRF Normative Instruction No. 67/98, whereby the procedure adopted by the industrial establishments that gave out exits without IPI collection and sugar cane sugar of the demerara type, superior crystal, special crystal, extra special crystal and refined granulated, practiced from July 6, 1995 to November 16, 1997 and with refined sugar of amorphous type, in the period of January 14, 1992 to November 16, 1997;
- (vi) The possible lawsuits related to the INSS essentially involve: (a) The questioning of IN MPS / SRP no. 03/2005, which restricted the constitutional immunity of social security contributions on export earnings, starting to tax the exports made through commercial export companies or trading companies; and (b) Demand for SENAR's contribution in direct and indirect export operations, which should be immune (c) Requirement of social security contribution on the acquisition of shares through stock-based payment plans, despite the clear commercial nature.;
- (vii) The Tax Authority partially rejected the Company requests for payment of its federal tax debts, pursuant to provisional measure n. 470 (MP 470), on the ground that the tax loss offered is not sufficient to settle the respective debts. The likelihood of loss is considered as possible since the results are indicated existed and are available for such use;
- (viii) Legal demands related to the SRF Normative Instruction no. 67/98 that allowed for the refunding of IPI tax payments for sales of refined sugar from January 14, 1992 through November 16, 1997 and fiscal requirement, at the exit of lubricating grease, of product immune to the collection of IPI, because it is derived from petroleum.

15 Shareholders' equity

a) Share capital

Accounting policy

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 policy described in Note 13.

Subscribed and fully paid capital as of R\$ 4,418,476 and R\$ 3,999,075 represented by 407,904,353 common shares at December 31, 2018 and 2017, respectively, book entry and without par value. The authorized common stock may be increased up to the limit of R\$ 6,000,000.

At December 31, 2018, Cosan Limited's share capital is composed of the following:

	Ordinary shares	
	Quantity	%
Shareholders - Common shares		
Cosan Limited	236.515.386	57,983%
Control group	4.028	0,001%
Management	591.958	0,145%
Free Float	155.404.710	38,098%
Total shares outstanding	392.516.082	96,227%
Treasury shares	15.388.271	3,773%
Total	407.904.353	100,000%

b) Treasury shares

On December 21, 2016, the Board of Directors approved the renewal of the Repurchase Program of common shares issued by it. The transactions can be carried out until December 21, 2017 and the maximum number of shares that can be repurchased is 4,000,000 common shares (representing 0.98209071% of the total number of shares).

On March 1, 2018, the Board of Directors approved the renewal of the Repurchase Program of common shares issued by it. The transactions were carried out until December 12, 2018 and the maximum number of shares that could be repurchased is 15,388,000 common shares (representing 3.77% of the total number of shares).

In the year ended December 31, 2018, the Company repurchased 14,732,000 common shares in the amount of R\$ 607,932 with a maximum unit cost of R\$ 43.30, minimum unit cost of R\$ 39.29 and average unit cost of R\$ 41.16.

At December 31, 2018, the Company had 15,388,271 treasury shares (1,606,239 common shares as of December 31, 2017), whose market price was R\$ 33.46 (R\$ 41.50 as of December 31, 2017).

c) Statutory reserve

Accounting policy

The purpose is to strengthen working capital, finance the maintenance, expansion and development of the activities that make up the Company's corporate purpose.

d) Legal reserve

Accounting policy

It is constituted through the appropriation of 5% of net income for the year up to the limit of 20% of the capital, according to Law 6,404.

e) Dividends

Accounting policy

The Company's by-laws, at the end of the year, are allocated the mandatory minimum dividend corresponding to 25% of the annual net income adjusted by the equity transactions of the reserves, according to the corporate law.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Dividends, allocation of net income for the year and excess of profit reserves, as determined in art. 199 of the Brazilian Corporation Law will be the subject of deliberations at the next Annual Shareholders' Meeting.

On April 26, 2018, the Board of Directors approved the distribution of dividends in the amount of R\$ 137,610, through the use of a statutory reserve.

	December, 31 2018
Profit for the year	1.652.321
Legal reserve – 5%	(82.616)
Calculation basis for dividend distribution	1.569.705
Minimum mandatory dividends – 25%	(392.426)
Retained Earnings	1.177.279
Changes in dividends payable	
At December, 31 2017	338.984
Dividends interim current year	137.610
Dividends for the year	392.426
Dividends paid	(446.294)
At December, 31 2018	422.726

f) Other comprehensive (loss) income

	December 31, 2017	Comprehensive (loss) income	December 31, 2018
Foreign currency translation effect	(33.014)	(1.907)	(34.921)
Gain on cash flow hedge in joint ventures and subsidiaries	15.325	6.882	22.207
Actuarial loss on defined benefit plan	(68.474)	(52.769)	(121.243)
Financial instruments with subsidiaries	(45.631)	-	(45.631)
Change in fair values of financial assets	25.554	233	25.787
Total	(106.240)	(47.561)	(153.801)

Attributable to:

Owners of the Company	(116.278)	(40.348)	(156.626)
Non-controlling interests	10.038	(7.213)	2.825

	December 31, 2016	Comprehensive (loss) income	December 31, 2017
Foreign currency translation effect	(7.979)	(25.035)	(33.014)
(Loss) gain on cash flow hedge in joint ventures and subsidiaries	(189.286)	204.611	15.325
Actuarial loss on defined benefit plan	(52.237)	(16.237)	(68.474)
Financial instruments with subsidiaries	(54.631)	9.000	(45.631)
Change in fair values of financial assets	21.378	4.176	25.554
Total	(282.755)	176.515	(106.240)

Attributable to:

Owners of the Company	(295.923)	179.645	(116.278)
Non-controlling interests	13.168	(3.130)	10.038

16 Earnings per share

Accounting policy

a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- i. the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares; and
- ii. by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (Note 15).

b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- i. the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- ii. the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

The following table sets forth the calculation of earnings per share (in thousands of Brazilian Reais, except per share amounts):

	<u>December 31, 2017</u>	<u>December 31, 2017</u>
Profit attributable from continued operation to ordinary equity holders for basic earnings	1,652,321	1,315,324
Effect of dilution:		
Dilutive effect of subsidiary's stock option plan	(1,479)	(207)
Profit from continued operation attributable to ordinary equity holders adjusted for the effect of dilution	1,650,842	1,315,117
Basic number of shares outstanding - In thousands of shares	401,452	411,254
Effect of dilution:		
Dilutive effect of stock option plan	787	687
Diluted number of shares outstanding - In thousands of shares	402,239	411,941
Basic earnings per share from:		
Continuing operations	R\$ 4.1159	R\$ 3.1983
Diluted earnings per share from:		
Continuing operations	R\$ 4.1041	R\$ 3.1925

For the year ended December 31, 2018, 656,000 shares related to the share repurchase plan of subsidiary Cosan S.A. have an antidilutive effect, so they were not considered in the diluted earnings per share analysis.

17 Revenue

Accounting policy

The Company recognizes revenues from the following main sources:

(i) Sale of products

The Company recognizes sales revenues upon delivery to the customer. Delivery is considered to be the moment when the customer accepts the goods, and the risks and benefits related to the property are transferred. Revenue is recognized at this time as long as revenue and costs can be measured reliably, receipt of the consideration is probable and there is no continuous involvement of management with the products.

The Company operates in the production and distribution of lubricants including the brands Mobil and Comma, as well as the production and distribution of biomass pellets. Products are sold in contracts identified with individual customers and in sets, as a package of goods or services.

Some lubricant sales contracts cannot be purchased separately from a package of services. However, the goods and services are clearly distinct in the contracts. This sales modality represents two separate performance obligations and therefore revenue will be recognized for each of these performance obligations when control of the respective goods and services is transferred to the customer. The transaction price is allocated to different performance obligations based on the independent selling price, in which revenues are identified, measured and recorded separately.

(ii) Billed revenue

The company provides gas distribution services through the subsidiary Comgás. Fair value and service selling prices are conveniently released

and recognized when its value is measured reliably, recognized as having no result at the same volume as those delivered to customers based on the monthly measurements performed.

(iii) Unbilled revenue

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.

The actual volume billed may be different from estimates. The Company believes that, based on its historical experience with similar operation, the unbilled estimated amount will not significantly differ from actual amounts.

(iv) Infrastructure concessions

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 finishing stage of the work.

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.

(v) Services rendered

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.

The following is an analysis of the Company's revenue for the year from

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

continuing operations:

	Consolidated	
	December 31, 2018	December 31, 2018
Gross revenue from sales of products and services	12,669,890	9,537,350
Construction revenue	415,753	351,193
Indirect taxes and deductions	(2,786,544)	(2,217,766)
Net sales	10,299,099	7,670,777

In the following table, revenue is disaggregated by products and service lines and timing of revenue recognition:

	Consolidated	
	December 31, 2018	December 31, 2018
At a point in time		
Comgás - Gas distribution	6,363,614	5,118,087
Moove - Lubricants and basic oil	3,414,536	2,097,450
Comgás – Other	60,641	68,577
Cosan Corporate - Other	9,167	3,441
	9,847,958	7,287,555
Over time		
Comgás - Construction revenue	415,753	351,193
Moove - Other services	35,413	32,071
	451,166	383,264
Elimination	(25)	(42)
Total of net sales	10,299,099	7,670,777

18 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 is as follows:

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2018
Raw materials	-	-	(7,076,079)	(4,614,500)
Materials consumed	-	-	(75,584)	(27,753)
Construction cost - IFRIC 12	-	-	(415,753)	(351,193)
Expenses with third-party services	(28,907)	(27,886)	(276,479)	(206,703)
Employee benefit expense	(51,829)	(67,433)	(523,911)	(566,134)
Selling expenses	-	-	(30,139)	(82,941)
Transportation expenses	-	-	(127,102)	(83,905)
Depreciation and amortization	(5,980)	(5,849)	(552,951)	(546,111)

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Other	(23,642)	(26,056)	(259,060)	(203,891)
	(110,358)	(127,224)	(9,337,058)	(6,683,131)
Cost of sales	-	-	(7,694,386)	(5,045,884)
Selling	-	-	(1,010,614)	(1,039,817)
General and administrative	(110,358)	(127,224)	(632,058)	(597,430)
	(110,358)	(127,224)	(9,337,058)	(6,683,131)

19 Other income (expenses), net

	Parent company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Sales of credit rights	-	1,039,966	-	1,039,966
Recovering tax credits ⁽ⁱ⁾	-	-	199,027	12,267
Indemnity ⁽ⁱⁱ⁾	-	-	726,000	-
Changes in the fair value of investment properties	-	-	(30,190)	(35,614)
Net effect of legal proceedings, recoverable and tax installments	(27,805)	(78,704)	(36,100)	(116,859)
Other	(21,138)	(35,115)	(55,284)	(18,777)
	(48,943)	926,147	803,453	880,983

- (i) Gain on the recognition of the ICMS base of the PIS and COFINS base (note 6).
- (ii) The subsidiary Comgás and the supplier Petrobras closed the lawsuits that were not related to the cost of gas was indemnified and recognized the net tax gain of R\$ 726,000.

20 Finance results

Accounting policy

Finance income comprises interest income on funds invested, dividend income, fair value gains on financial assets at fair value through profit or loss, gains on the changes in fair value of any pre-existing interest in an acquire 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.

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

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.

Gains and financial payments and financial interest are reported on a net basis such as financial income or financial investment and are determined as net currency fluctuations against a gain or loss position.

Details of finance income and costs are as follows:

	Parent Company		Consolidated	
	December	December	December	December
	r 31, 2018	r 31, 2017	31, 2018	31, 2017
Cost of gross debt				
Interest on debt	-	-	(670,918)	(666,552)
Monetary and exchange rate variation	-	-	(888,520)	(82,969)
Derivatives and fair value measurement	690,956	182,350	677,710	(56,314)
Amortization of borrowing costs	(153)	(245)	(1,085)	(1,056)
Discounts obtained from financial operations	-	-	-	-
Guarantees and warranties on debt	-	-	(27,183)	(27,753)
	690,803	182,105	(909,996)	(834,644)
Income from financial investment and exchange rate in cash and cash equivalents	65,906	105,764	319,167	360,001
	65,906	105,764	319,167	360,001
Cost of debt, net	756,709	287,869	(590,829)	(474,643)
Other charges and monetary variations				

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Interest on other receivables ^{(i) (ii)}	8,887	31,484	434,334	97,724
Interest on other financial assets	102,722	125,977	102,722	125,977
Interest on shareholders' equity	77,880	86,209	(10,320)	(12,291)
Interest on other liabilities	(122,448)	(210,023)	(202,649)	(345,737)
Bank charges and other	(23,767)	(245,385)	(37,158)	(282,881)
Exchange variation	(972,036)	(267,074)	(28,293)	(6,543)
	(928,762)	(478,812)	258,636	(423,751)
Finance results, net	(172,053)	(190,943)	(332,193)	(898,394)
Reconciliation				
Finance expense	(403,163)	(691,178)	(1,125,613)	(1,728,300)
Finance income	263,338	377,302	897,876	728,598
Foreign exchange (losses) gain, net	(636,550)	(62,726)	(843,297)	(81,201)
Derivatives	604,322	185,659	738,841	182,509
Finance results, net	(172,053)	(190,943)	(332,193)	(898,394)

- (i) As a consequence of the termination of the lawsuits between the Company and Petrobras, the entire balance of the financial adjustment of provisions payable was reversed in the amount of R\$ 177,423, as well as the recognition of the judicial deposit update in the amount of R\$ 101,583 (note 5.7).
- (ii) It is Included the balance of R\$ 93,243 related to the interest on PIS and Cofins as stated in the note 6.

21 Finance risk management

This note explains the Company's exposure to financial risks and how these risks could affect the group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	(i) Future commercial transactions. (ii) Recognized financial assets and liabilities not denominated in Brazilian Reais.	(i) Cash flow forecasting (ii) Sensitivity analysis	Foreign currency forwards and foreign currency options
Market risk – interest rate	Cash and cash equivalents, marketable securities, restricted cash, loans, borrowings and debentures, leases, derivative and real state credit certificates	(i) Sensitivity analysis	Interest rate swaps
Credit risk	Cash and cash equivalents, marketable securities, restricted cash, trade receivables, derivatives, receivables from related parties and dividends	(i) Aging analysis (ii) Credit ratings	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Loans, borrowings and debentures, trade payables, other financial liabilities, REFIS, leases, derivative, real state credit certificates, payables to related parties and dividends	(i) Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Company's risk management is predominantly controlled by a central treasury department under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognizing interest expense at a fixed interest rate for the hedged floating rate loans and inventory at the fixed foreign currency rate for the hedged purchases.

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.

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.

a) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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.

i) Foreign exchange risk

As at December 31, 2018 and December 31, 2017, the Company had the following net exposure to the exchange rate variations on assets and liabilities denominated in Dollar:

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	December 31, 2018	December 31, 2017
Cash and cash equivalents	497,968	765,370
Trade receivables	31,380	14,894
Trade payables	(219,717)	(249,999)
Loans, borrowings and debentures	(6,279,659)	(5,575,894)
Advances from clients	-	(210,497)
Contingent consideration	(119,825)	(116,542)
Derivative financial instruments	4,670,955	4,216,517
Foreign exchange exposure, net	(1,418.898)	(1,156,151)

The sensitivity of profit or loss to changes in the exchange rates arises mainly from U.S. Dollar denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges through its joint ventures.

A reasonably possible strengthening (weakening) of the Real to U.S. Dollar at December 31, 2018 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. 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. The Company's exposure to foreign currency changes for all other currencies is not material.

Instrument	Probable	Scenario			
		25%	50%	-25%	-50%
Cash and cash equivalents	(16,039)	120,482	240,965	(120,482)	(240,965)
Trade receivables	(1,011)	7,593	15,185	(7,593)	(15,185)
Loans, borrowings and debentures	202,256	(1,519,351)	(3,038,702)	1,519,351	3,038,702
Contingent consideration	3,859	(28,992)	(57,982)	28,992	57,982
Trade payables	7,077	(53,161)	(106,320)	53,161	106,320
Derivative financial instruments	(222,270)	1,190,774	2,381,547	(1,190,774)	(2,381,547)
Impacts on profit or loss	(26,128)	(282,655)	(565,307)	282,655	565,307

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

The probable scenario was defined based on the US dollar market rates projected for September 30, 2019, which determines the fair value of the derivatives at that date. Stressed scenarios (positive and negative effects, before taxes) were defined based on adverse impacts of 25% and 50% on the US dollar exchange rates used in the probable scenario.

Based on the financial instruments denominated in U.S. Dollars at September 30, 2018, the Company performed a sensitivity analysis with a 25% and 50% increase in the exchange rate (US \$ / US \$). The probable scenario considers the Company's projections made by specialized advisory services for 12-month exchange rates for companies with real functional currency (positive and negative, before taxes), as follows:

		Exchange rate sensitivity analysis (R\$/US\$)				
		Scenario				
	December 31, 2018	Probable	25%	50%	-25%	-50%
U.S.\$	3.8748	3.75	4.6875	5.625	2.8125	1.875

ii) 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.

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:

	Scenario				
	Probable	25%	50%	-25%	-50%
Cash and cash equivalents	176,056	44,014	88,028	(44,014)	(88,028)
Marketable securities	103,981	25,995	51,991	(25,995)	(51,991)
Interest rate derivatives	(54,240)	(638,755)	(1,182,133)	771,349	1,692,426
Loans, borrowings and debentures	(599,457)	(36,834)	(73,667)	36,834	73,667
Impacts on profit or loss	(373,660)	(605,580)	(1,115,781)	738,174	1,626,074

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

The probable scenario considers the estimated interest rate, made by a specialized third part and Central Bank of Brazil (Banco Central do Brasil), or BACEN, as follows:

	Interest rate sensitivity analysis				
	Probable	Scenario			
		25%	50%	-25%	-50%
SELIC	7.65%	9.56%	11.48%	5.74%	3.83%
CDI	7.65%	9.56%	11.48%	5.74%	3.83%
TJLP462 (TJLP + 1% p.a.)	7.40%	9.00%	10.60%	5.80%	4.20%
TJLP	6.40%	8.00%	9.60%	4.80%	3.20%
IPCA	4.12%	5.15%	6.18%	3.09%	2.06%
IGPM	4.20%	5.25%	6.30%	3.15%	2.10%
FED	2.90%	3.63%	4.35%	2.18%	1.45%
Libor	3.02%	3.78%	4.53%	2.27%	1.51%

b) Credit risk

The Company's regular operations expose it to potential defaults when customers, suppliers and counterparties are unable to comply with their financial or other commitments. The Company seeks to mitigate this risk by entering into transactions with a diverse pool of counterparties. However, the Company continues to remain subject to unexpected third party financial failures that could disrupt its operations. The exposure to credit risk was as follows:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	2,696,947	3,150,328
Marketable securities	1,359,232	700,035
Trade receivables	1,150,130	950,701
Derivative financial instruments	1,515,882	1,052,105
Receivables from related parties	132,798	207,266
Dividends	27,309	13,114
	6,882,298	6,073,549

The Company is also exposed to risks in connection with its cash management activities and temporary investments.

Liquid assets are invested primarily in government security and other investments in Banks with a minimum grade of "A." Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

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 credit risk on cash and cash equivalents, marketable securities, restricted cash and derivative financial instruments are determined by rating instruments widely accepted by the market and are arranged as follows:

	December 31, 2018	December 31, 2017
AAA	4,302,309	327,583
AA	1,269,752	4,443,753
	5,572,061	4,771,336

c) Liquidity risk

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.

The financial liabilities of the Company sorted by due dates (based on undiscounted cash flows contracted) are as follows:

	December 31, 2018				December 31, 2017	
	Up to 1 year	1 - 2 years	3 - 5 years	More than 5 years	Total	Total
Loans, borrowings and debentures	(1,475,843)	(1,447,318)	(4,767,796)	(7,714,357)	(15,405,314)	(15,507,918)
Trade payables	(1,472,203)	-	-	-	(1,472,203)	(1,805,385)
Other financial liabilities	(117,997)	-	-	-	(117,997)	(90,725)
Payables to related parties	(207,989)	-	-	-	(207,989)	(398,586)
Tax installments - REFIS	(59,540)	(15,200)	(36,836)	(109,723)	(221,299)	(222,336)
Dividends payable	(427,232)	-	-	-	(427,232)	(373,277)
Derivative financial instruments	135,340	128,642	113,643	1,925,864	2,303,489	465,963
	(3,625,464)	(1,333,876)	(4,690,989)	(5,898,216)	(15,548,545)	(17,932,264)

22 Post-employment benefits

Accounting policy

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.

a) 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 – PLAC. 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.

b) 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.

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

	Consolidated	
	December 31, 2018	December 31, 2017
Futura	75,298	44,431
Futura II	205	201
Comgás	504,320	440,827
	579,823	485,459

a) Defined contribution

During the year ended December 31, 2018, the amount of sponsor contributions to the plans was R\$ 459 (R\$ 327 on December 31, 2017).

b) Defined benefit

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, 2018, the amounts of contributions totaled R\$ 4,138 (R\$ 3,896 for the year ended December 31, 2017). The weighted average duration of obligation is 10.84 years. In 2019 the subsidiary expects to make a contribution in the amount of R\$ 4,311 in relation to its defined benefit plan; and
- **Comgás:** Obligations relating to post-employment benefit plans, which include medical assistance and incentive retirement, sick pay and disability benefits are recorded in accordance with CVM Deliberation 695.

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

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, 2018, the amounts of contributions totaled R\$ 26,808 (R\$ 22,796 for the year ended December 31, 2017). The weighted average duration of obligation is 13.8 years.

Details of the present value of the defined benefit obligation and the fair value of plan assets are as follows:

	December 31, 2018	December 31, 2017
Actuarial obligation at beginning of the year	905,874	833,129
Current service cost	584	586
Interest expense	83,476	87,205
Actuarial loss arising from financial assumptions	25,583	72,223
Actuarial (gain) loss arising from experience adjustment	58,550	(30,944)
Gain loss arising from experience adjustment	(447)	(197)
Benefits payment	(60,828)	(56,128)
Actuarial obligation at the end of the year	1,012,792	905,874
Fair value of plan assets at beginning of the year	(420,616)	(391,803)
Interest income	(38,648)	(40,955)
Earnings on assets greater than discount rate	(3,792)	(16,976)
Contributions paid	(30,946)	(27,010)
Benefit payments	60,828	56,128
Fair value of plan assets end of the year	(433,174)	(420,616)
Superplus (deficit) for the year	579,618	485,258
Net defined benefit liability	579,618	485,258

Total expense recognized in profit or loss is as follow:

	December 31, 2018	December 31, 2017
Current service cost	(717)	(271)
Interest expense	(48,404)	(46,312)
	(49,121)	(46,583)

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Total amount recognized as accumulated other comprehensive income:

	December 31, 2018	December 31, 2017
Accumulated at the initial of the year	226,129	252,473
Gain arising from financial assumptions	(25,583)	(7,865)
Gain loss arising from experience adjustment	(33,636)	(1,845)
Earnings on assets greater than discount rate	3,792	(16,634)
Accumulated at the end of the year	170,702	226,129

The plan assets are comprised of the following:

	December 31, 2018		December 31, 2017	
	Valor	%	Valor	%
Fixed income	419.182	96,77%	408.347	98,18%
Variable income	10.959	2,53%	3.411	0,82%
Other	3.032	0,70%	4.159	1,00%
	433.173	100,00%	415.917	100,00%

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.

The main assumptions used to determine the benefit obligations of the Company are as follows:

	Futura		Comgás	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2018
Discount rate	9.50%	9.55%	9.30%	9.52%
Inflation rate	4.20%	4.00%	4.00%	4.00%
Future salary increases	N/A	N/A	7.12%	7.12%
Increase in pension plans	4.20%	4.00%	7.12%	4.00%

Sensitivity analysis

Changes in the discount rate for the balance sheet date in one of the relevant actuarial assumptions, while maintaining other assumptions, would have affected the defined benefit obligation as shown below:

Discount rate

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

	<u>Increase</u>	<u>Decrease</u>
	<u>0.50%</u>	<u>-0.50%</u>
Futura	(25,152)	23,052
Futura II	(125)	118
COMGAS	(31,530)	35,642

There was no change in relation to previous years in the methods and assumptions used in preparing the sensitivity analysis.

23 Share-based payments

Accounting policy

The fair value of share-based payment benefits at the grant date is recognized as employee benefit expense with a corresponding increase in shareholders' equity for the period in which employees unconditionally acquire the right to benefits.

The amount recognized as an expense is adjusted to reflect the number of shares for which there is an expectation that the conditions of service and non-market acquisition conditions will be met in such a way that the amount finally recognized as an expense is based on the number of actions that actually meet the conditions of the service and non-market acquisition conditions on the date the vesting date is acquired. For non-vesting share-based payment benefits, the fair value on the grant date of the share-based payment is measured to reflect such conditions and there is no change to the difference between expected and actual benefits.

The plans have been administered by the Board of Directors of each Company, at its option, by a Committee, within the limits established in the guidelines for the elaboration and structuring of each plan and in the applicable legislation.

a) Description of share-based payment arrangements

i. Equity-settled transactions

The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions. The model requires the use of subjective assumptions, including expected stock-price volatility, expected life of the stock option or stock grant and dividend yield. Historical data has been considered in setting the assumptions.

ii. Employee share scheme (Stock-based compensation plan)

Under the scheme, eligible employees may be granted ordinary shares annually for no cash consideration. The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the Company's shares are traded on the Stock Exchange. The shares are recognized at the closing share price on the grant date (grant date fair value) as an issue of treasury shares and as part of employee benefit costs in the period the shares are granted.

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

For equity-settled shared based compensation, expense is based on the grant date fair value of the awards expected to vest over the vesting period. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the income statement.

The Black-Scholes methodology was used to calculate the fair value under the terms of the Stock-Based Compensation Plan.

The following share-based payment arrangements:

Type of award / Grant date	Company	Expected life (years)	Granted
Stock option programs			
August 18, 2011 - (A)	Cosan S.A.	1 to 7	4,825,000
August 18, 2011 - (B)	Cosan S.A.	1 to 12	5,000,000
December 12, 2012 - (C)	Cosan S.A.	1 to 7	700,000
April 24, 2013	Cosan S.A.	5 to 7	970,000
April 25, 2014	Cosan S.A.	5 to 7	960,000
August 31, 2015	Cosan S.A.	5 to 7	759,000
			13,214,000
Stock grant programs			
April 20, 2017	Comgás	5	61,300
April 27, 2017	Cosan S.A.	5	274,000
July 31, 2017	Cosan S.A.	5	298,107
August 12, 2017	Comgás	5	97,780
July 31, 2018	Cosan S.A.	5	210,602
August 1, 2018	Comgás	5	96,787
			1,038,576

b) Measurement of fair values

The weighted average fair value of the programs granted during the financial years ended December 31, 2018 and 2017 and principal assumptions used in applying the Black-Scholes model were as follows:

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	Stock grant programs			
	Cosan S.A		Comgás	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Weighted average fair value at grant date	36.06	34.17	36.37	36.83
Weighted average of key assumptions:				
Share price at grant date	38.61	34.51	54.25	51.03
Risk-free interest rate	15.00%	15.00%	10.56%	11.13%
Dividend yield	2.86%	5.93%	7.19%	4.32%
Volatility factor	33.70%	33.23%	32.38%	28.60%

c) Reconciliation of outstanding share options

The movement in the number of awards outstanding and their related weighted-average exercise prices are as follows:

	Stock option programs	Stock grant programs	Total	Weighted-average exercise price
At January 1, 2017	7,978,000	-	7,978,000	29.05
Granted	-	731,187	731,187	36.06
Vested	(1,405,000)	(8,206)	(1,413,206)	23.19
Cancelled	(427,000)	(49,894)	(476,894)	-
At December 31, 2017	6,146,000	673,087	6,819,087	29.84
Granted	-	307,389	307,389	-
Vested	(942,000)	(20,802)	(962,802)	23.32
Cancelled	(175,000)	(57,446)	(232,446)	-
At December 31, 2018	5,029,000	902,228	5,931,228	30.21

d) Expense recognized in profit or loss

Share-based compensation expense included in the income statement for the years ended December 31, 2018 and 2017 was as follows:

	Stock option programs	Stock grant programs	Total
December 31, 2018	5,972	4,711	10,683
December 31, 2017	5,826	3,925	9,751

24 Subsequent events

On January 18, 2019, the Board of Directors approved the contracting of financial advisors and the submission to B3 for a voluntary public offering for the

acquisition of class A preferred shares issued by its subsidiary Comgás (ticker: CGAS5) at the price of R\$ 82.00 per share. A private agreement was also signed with shareholders holding 9,847,236 Class A preferred shares issued by subsidiary Comgás, under which Cosan undertakes to acquire, and the shareholders undertake to dispose of all such class A preferred shares in the Voluntary Plan. The class A preferred shares, subject to this private agreement, represent approximately 41.786% of the class A preferred shares outstanding.

25 New standards and interpretations not yet effective

Certain new standards and amendments to standards are effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however, the Company has not early adopted the following new or amended standards in preparing these consolidated financial statements.

25.1 CPC 06 (R2) / IFRS 16 Leases

These standards change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. During 2018, the Company concluded preparations for the new requirements in CPC 06 (R2) / IFRS 16.

The Company leases various properties, equipment and cars. Rental contracts are typically made for fixed periods, but may have extension options as described in below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Notes to the financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- i. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- ii. variable lease payment that are based on an index or a rate;
- iii. amounts expected to be payable by the lessee under residual value guarantees;
- iv. the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- v. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- i. the amount of the initial measurement of lease liability;
- ii. any lease payments made at or before the commencement date less any lease incentives received;
- iii. any initial direct costs, and;
- iv. restoration costs.

Notes to the financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

To optimize lease costs during the contract period, the Company sometimes provides residual value guarantees in relation to equipment leases.

Impact on the statement of financial position (increase/(decrease)) as at January 1, 2019:

	Range	
Assets		
Right-of-use assets	R\$ 71.000	a R\$ 79.000
Liabilities		
Leases	R\$ 71.000	a R\$ 79.000

The Company has applied CPC 06 (R2) / IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 / CPC 06 (R1) and IFRIC 4 / ICPC 03. The details of accounting policies are disclosed separately for each period.

The subsidiaries Raízen Energia and Raízen Combustíveis recognized the lease liability and the right to use asset at the date of the initial application for leases previously classified as operating leases, retrospectively, with cumulative effect. These joint ventures used as a practical expedient the use of a single discount rate on the lease portfolio with similar characteristics. The initial measurement of lease liabilities and rights-of-use assets is estimated between R\$ 4,000,000 and R\$ 5,000,000. There are still technical discussions that may have a significant impact on the initial effects of these jointly controlled companies, such as whether the agricultural partnership contracts are within the scope of the standard.

In addition, the Company evaluated the new standards and interpretations below, and did not identify significant impacts:

25.2 Interpretation CPC 22 / IFRIC 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involves uncertainty that affects the application of CPC 32 / IAS 12 and does not apply to taxes or levies outside the scope of CPC 32 / IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Company is subject to examination by the tax authorities, with the five fiscal years open in general. The Company has audits in progress at various stages of completion, one of which may be completed within the next 12 months. However, at that time, the Company had no uncertainties regarding the treatment of income tax.

No other new accounting pronouncement issued or in force during the fiscal year had or should have a material impact on the financial statements.

25.3 Amendments to CPC 48 / IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the "SPPI" criterion) and the instrument is held within the appropriate business model for that classification. The amendments clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from January 1, 2019. These amendments have no impact on the consolidated financial statements of the Company.

25.4 Amendments to CPC 33 / IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- i. Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to change the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and

- ii. Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to change that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. These amendments will apply only to any future amendments, curtailments, or settlements of the Company.

25.5 Annual Improvements to IFRS Standards 2015-2017 Cycle

- i. **CPC 32 / IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, the Company recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

The Company applies those amendments for annual reporting periods beginning on or after January 1, 2019. The Company does not expect any effect on its consolidated financial statements.

ii. CPC 20 / IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

The Company applies those amendments for annual reporting periods beginning on or after 1 January 2019. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its consolidated financial statements.

25.6 Insurance Contracts

This standard introduces a new model for accounting for insurance contracts. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Based on preliminary work we estimate the impact will be immaterial, we are in the process of reviewing our existing arrangements to determine the impact on adoption.

No other new accounting pronouncement issued or in force during the fiscal year had or should have a material impact on the financial statements.