

# Raízen Combustíveis S.A.

## **Interim financial information as of September 30, 2018**

*(A free translation of the original report in Portuguese, containing individual and consolidated interim financial information prepared in accordance with CPC 21 (R1) – Interim Financial Reporting and IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board - IASB)*

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## **Report on review of interim financial information**

*(A free translation of the original report in Portuguese, containing individual and consolidated interim financial information prepared in accordance with CPC 21 (R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board - IASB)*

To the Directors and Shareholders of  
**Raízen Combustíveis S.A.**  
Rio de Janeiro - RJ

### **Introduction**

We have reviewed the individual and consolidated statement of financial position of Raízen Combustíveis S.A. (the "Company") as of September 30, 2018 and the respective statements of income and comprehensive income for the three and six-month period then ended and changes in equity and cash flows for the six-month period then ended, including the explanatory notes.

The Company's management is responsible for the preparation of this individual and consolidated interim financial information in accordance with Technical Pronouncement CPC 21 (R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board - IASB. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with the Brazilian and International standards on review engagements of interim financial information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the auditing standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information has not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, as issued by the IASB.

São Paulo, November 8, 2018.

KPMG Auditores Independentes  
CRC SP014428/O-6  
*Original report in Portuguese signed by*  
Ulysses M. Duarte Magalhães  
Accountant CRC RJ-092095/O-8

# RAÍZEN COMBUSTÍVEIS S.A.

## Statements of financial position as of September 30 and March 31, 2018

In thousands of reais – R\$

	Note	Parent company		Consolidated	
		09/30/2018	03/31/2018	09/30/2018	03/31/2018
Assets					
Current assets					
Cash and cash equivalents	3	1,717,291	1,176,505	1,956,006	1,420,336
Restricted cash	4	67,902	52,497	67,902	52,497
Derivative financial instruments	22	54,640	41,489	68,817	55,195
Trade accounts receivable	5	1,821,628	1,732,859	2,251,164	2,154,402
Inventories	6	1,605,170	1,481,909	2,181,744	1,851,356
Recoverable income and social contribution taxes	14.b	276,275	228,127	411,225	302,982
Recoverable taxes		539,190	261,582	781,720	421,508
Dividends receivable		1,074	17,031	-	-
Related parties	7	830,271	533,179	827,791	512,045
Assets from contracts with clients	8	340,250	-	395,443	-
Other receivables		42,063	32,535	155,090	38,633
		<u>7,295,754</u>	<u>5,557,713</u>	<u>9,096,902</u>	<u>6,808,954</u>
Non-current assets					
Trade accounts receivable	5	349,316	368,746	464,372	447,856
Derivative financial instruments	22	663,089	48,221	663,089	48,221
Recoverable taxes		136,418	175,361	261,546	281,861
Related parties	7	879,677	871,022	873,182	864,833
Deferred income and social contribution taxes	14.d	-	-	58,244	68,928
Judicial deposits	15	51,437	52,051	66,891	57,313
Assets from contracts with clients	8	1,618,369	-	1,894,137	-
Other receivables		9,478	12,100	9,527	12,100
Investments	9	1,857,966	1,272,905	341,010	-
Property, plant and equipment	10	1,534,438	1,545,109	1,864,585	1,872,394
Intangible assets	11	650,248	2,566,640	654,722	2,879,060
		<u>7,750,436</u>	<u>6,912,155</u>	<u>7,151,305</u>	<u>6,532,566</u>
Total assets		<u>15,046,190</u>	<u>12,469,868</u>	<u>16,248,207</u>	<u>13,341,520</u>

# RAÍZEN COMBUSTÍVEIS S.A.

## Statements of financial position as of September 30 and March 31, 2018

In thousands of reais – R\$

(Continued)

	Note	Parent company		Consolidated	
		09/30/2018	03/31/2018	09/30/2018	03/31/2018
<b>Liabilities</b>					
Current liabilities					
Loans and financing	13	28,597	27,994	28,597	27,994
Derivative financial instruments	22	83,023	22,761	112,115	31,337
Suppliers	12	1,068,190	1,006,847	1,296,556	1,741,699
Payroll and related charges payable		62,970	111,636	71,040	123,922
Income and social contribution taxes payable	14.c	-	-	5,332	7,083
Taxes payable		117,180	88,441	141,620	101,948
Dividends and interest on own capital payable	17.b	-	1,486	-	6,335
Prepaid revenues		41,159	41,159	44,667	41,492
Related parties	7	1,170,170	1,172,156	1,680,172	875,594
Bonuses payable		39,754	39,019	52,880	48,694
Other liabilities		266,088	294,660	359,111	395,078
		<u>2,877,131</u>	<u>2,806,159</u>	<u>3,792,090</u>	<u>3,401,176</u>
Non-current liabilities					
Loans and financing	13	4,556,472	2,709,677	4,556,472	2,709,677
Derivative financial instruments	22	3,583	156,900	3,583	156,900
Taxes payable		-	-	11,291	10,208
Related parties	7	3,085,461	2,582,327	3,085,466	2,582,327
Provision for lawsuits	15	935,285	910,605	944,730	919,663
Prepaid revenues		108,598	129,178	108,765	129,511
Deferred income and social contribution taxes	14.d	442,622	228,987	458,572	234,403
Bonuses payable		125,395	132,936	155,766	156,485
Other liabilities		11,612	18,031	12,996	19,401
		<u>9,269,028</u>	<u>6,868,641</u>	<u>9,337,641</u>	<u>6,918,575</u>
Total liabilities		<u>12,146,159</u>	<u>9,674,800</u>	<u>13,129,731</u>	<u>10,319,751</u>
Equity					
Attributed to controlling shareholders					
Capital		1,921,843	1,921,843	1,921,843	1,921,843
Capital reserves		519,667	520,108	519,667	520,108
Equity valuation adjustments		28,444	3,560	28,444	3,560
Income reserves		430,077	349,557	430,077	349,557
		<u>2,900,031</u>	<u>2,795,068</u>	<u>2,900,031</u>	<u>2,795,068</u>
Interest of non-controlling shareholders		-	-	218,445	226,701
Total equity		<u>2,900,031</u>	<u>2,795,068</u>	<u>3,118,476</u>	<u>3,021,769</u>
Total liabilities and equity		<u>15,046,190</u>	<u>12,469,868</u>	<u>16,248,207</u>	<u>13,341,520</u>

Notes from management to interim financial information

# RAÍZEN COMBUSTÍVEIS S.A.

## Statements of income

Three and six-month periods ended September 30, 2018 and 2017

In thousands of reais - R\$, except income per share

	Note	Parent company			
		Jul-Sep/18	Apr-Sep/18	Jul-Sep/17	Apr-Sep/17
Net operating revenue	18	18,433,951	35,687,290	16,031,040	30,817,755
Costs of products sold and services provided	19	(17,733,346)	(34,354,248)	(15,132,934)	(29,302,604)
Gross income		700,605	1,333,042	898,106	1,515,151
Operating revenue (expenses)					
Selling	19	(246,414)	(530,943)	(274,982)	(531,416)
General and administrative	19	(101,908)	(204,742)	(101,236)	(189,172)
Other operating income, net	20	46,040	114,443	35,543	209,280
Equity accounting result	9	120,355	200,076	120,061	199,484
		(181,927)	(421,166)	(220,614)	(311,824)
Income before financial results and income and social contribution taxes		518,678	911,876	677,492	1,203,327
Financial results	21				
Financial expenses		(204,888)	(238,890)	(58,601)	(120,282)
Financial income		37,965	74,300	16,071	29,453
Exchange variation, net		(177,095)	(825,985)	75,242	(59,432)
Net effect of the derivatives		260,659	829,564	(106,403)	3,894
		(83,359)	(161,011)	(73,691)	(146,367)
Income before income and social contribution taxes		435,319	750,865	603,801	1,056,960
Income and social contribution taxes	14.a				
Current		(54,764)	46,541	(153,307)	(285,790)
Deferred		(35,338)	(201,849)	(5,476)	16,537
		(90,102)	(155,308)	(158,783)	(269,253)
Net income for the period		345,217	595,557	445,018	787,707

Notes from management to interim financial information

# RAÍZEN COMBUSTÍVEIS S.A.

## Statements of income

Three and six-month periods ended September 30, 2018 and 2017

In thousands of reais - R\$, except income per share

		<b>Consolidated</b>			
	<b>Note</b>	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
Net operating revenue	18	21,069,161	40,695,852	18,452,780	35,716,820
Costs of products sold and services provided	19	(20,196,966)	(39,017,521)	(17,324,670)	(33,815,894)
Gross income		<u>872,195</u>	<u>1,678,331</u>	<u>1,128,110</u>	<u>1,900,926</u>
Operating revenue (expenses)					
Selling	19	(318,859)	(673,621)	(336,317)	(646,704)
General and administrative	19	(117,279)	(232,279)	(113,835)	(216,257)
Other operating income, net	20	96,060	221,261	70,519	301,726
		<u>(340,078)</u>	<u>(684,639)</u>	<u>(379,633)</u>	<u>(561,235)</u>
Income before financial results and income tax and social contribution		<u>532,117</u>	<u>993,692</u>	<u>748,477</u>	<u>1,339,691</u>
Financial results	21				
Financial expenses		(213,759)	(255,438)	(63,007)	(132,605)
Financial income		50,187	100,018	27,914	53,903
Exchange variation, net		(188,676)	(955,750)	98,999	(60,128)
Net effect of the derivatives		262,077	902,004	(128,180)	(9,019)
		<u>(90,171)</u>	<u>(209,166)</u>	<u>(64,274)</u>	<u>(147,849)</u>
Income before income and social contribution taxes		<u>441,946</u>	<u>784,526</u>	<u>684,203</u>	<u>1,191,842</u>
Income and social contribution taxes	14.a				
Current		(79,288)	51,879	(211,488)	(374,330)
Deferred		(4,928)	(223,150)	(10,880)	1,597
		<u>(84,216)</u>	<u>(171,271)</u>	<u>(222,368)</u>	<u>(372,733)</u>
Net income for the period		<u><u>357,730</u></u>	<u><u>613,255</u></u>	<u><u>461,835</u></u>	<u><u>819,109</u></u>
Attributable to:					
Controlling shareholders		345,217	595,557	445,018	787,707
Non-controlling shareholders		12,513	17,698	16,817	31,402
		<u><u>357,730</u></u>	<u><u>613,255</u></u>	<u><u>461,835</u></u>	<u><u>819,109</u></u>
Net earnings per share (basic and diluted for common shares)	17.d	<u><u>0.21</u></u>	<u><u>0.36</u></u>	<u><u>0.27</u></u>	<u><u>0.47</u></u>

Notes from management to interim financial information



## RAÍZEN COMBUSTÍVEIS S.A.

### Statements of comprehensive income

Three and six-month periods ended September 30, 2018 and 2017

In thousands of reais – R\$

	Parent company			
	Jul-Sep/18	Apr-Sep/18	Jul-Sep/17	Apr-Sep/17
Net income for the period	345,217	595,557	445,018	787,707
Items that are or may be reclassified to statements of income or loss				
Income (loss) from financial instruments designated as hedge accounting (Note 22.e)	3,350	37,704	39,166	(7,387)
Loss from financial instruments designated as hedge accounting (effect of subsidiary included)	-	-	(13)	(1,595)
Deferred taxes on hedge accounting (Note 14.d)	(1,139)	(12,820)	(13,315)	2,512
	2,211	24,884	25,838	(6,470)
Other components of the comprehensive income (loss) for the period	2,211	24,884	25,838	(6,470)
Total comprehensive income for the period	347,428	620,441	470,856	781,237

## RAÍZEN COMBUSTÍVEIS S.A.

### Statements of comprehensive income

Three and six-month periods ended September 30, 2018 and 2017

In thousands of reais – R\$

	<b>Consolidated</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
Net income for the period	357,730	613,255	461,835	819,109
Items that are or may be reclassified to statements of income or loss				
Income (loss) from financial instruments designated as hedge accounting (Note 22.e)	3,350	37,704	39,147	(9,804)
Deferred taxes on hedge accounting (Note 14.d)	(1,139)	(12,820)	(13,309)	3,334
	2,211	24,884	25,838	(6,470)
Other components of the comprehensive income (loss) for the period	2,211	24,884	25,838	(6,470)
Total comprehensive income for the period	359,941	638,139	487,673	812,639
Attributable to:				
Company's controlling shareholders	347,428	620,441	470,856	781,237
Company's non-controlling shareholders	12,513	17,698	16,817	31,402
	359,941	638,139	487,673	812,639

# RAÍZEN COMBUSTÍVEIS S.A.

## Statements of changes in equity Six-month periods ended September 30, 2018 and 2017 In thousands of reais – R\$

	Attributed to controlling shareholders								Interest of non-controlling shareholders	Total equity
	Capital reserves				Income reserves			Total		
	Capital	Capital reserve	Special Law 8200/91	Equity valuation adjustments	Legal	Profit retention	Retained earnings			
March 31, 2018	1,921,843	519,572	536	3,560	197,097	152,460	-	2,795,068	226,701	3,021,769
Initial adoption of IFRS 9 (CPC 48) (Note 2.3)	-	-	-	-	-	-	(2,478)	(2,478)	(41)	(2,519)
Adjusted balance as of April 1, 2018	1,921,843	519,572	536	3,560	197,097	152,460	(2,478)	2,792,590	226,660	3,019,250
Comprehensive income for the period										
Net income for the period	-	-	-	-	-	-	595,557	595,557	17,698	613,255
Net gain on financial instruments designated as hedge accounting	-	-	-	24,884	-	-	-	24,884	-	24,884
Total comprehensive income for the period	-	-	-	24,884	-	-	595,557	620,441	17,698	638,139
Distributions to shareholders, net										
Dividends and interest on own capital ("JCP") (Note 17.b)	-	-	-	-	-	(153,000)	(360,000)	(513,000)	(25,913)	(538,913)
Partial realization of reserve and other	-	-	(441)	-	-	540	(99)	-	-	-
Total distributions to shareholders, net	-	-	(441)	-	-	(152,460)	(360,099)	(513,000)	(25,913)	(538,913)
September 30, 2018	1,921,843	519,572	95	28,444	197,097	-	232,980	2,900,031	218,445	3,118,476

# RAÍZEN COMBUSTÍVEIS S.A.

## Statements of changes in equity Six-month periods ended September 30, 2018 and 2017 In thousands of reais – R\$ (Continued)

	Attributed to controlling shareholders									Interest of non-controlling shareholders	Total equity
	Capital reserves				Income reserves			Total			
	Capital	Capital reserve	Special Law 8200/91	Equity valuation adjustments	Legal	Profit retention	Retained earnings				
April 1, 2017	1,843,720	603,078	1,025	5,587	197,097	135,735	-	2,786,242	206,692	2,992,934	
Comprehensive income for the period											
Net income for the period	-	-	-	-	-	-	787,707	787,707	31,402	819,109	
Net loss with financial instruments designated as hedge accounting	-	-	-	(6,470)	-	-	-	(6,470)	-	(6,470)	
Total comprehensive income for the period	-	-	-	(6,470)	-	-	787,707	781,237	31,402	812,639	
Contributions from (distributions to) shareholders											
Issue (redemption) and allocation of dividends to holders of preferred shares	78,123	(86,618)	-	-	-	7,898	-	(597)	-	(597)	
Dividends and interest on own capital	-	-	-	-	-	(137,500)	(342,500)	(480,000)	(19,726)	(499,726)	
Partial realization of reserve and other	-	261	(252)	-	-	-	78	87	(247)	(160)	
Total contributions from (distributions to) shareholders	78,123	(86,357)	(252)	-	-	(129,602)	(342,422)	(480,510)	(19,973)	(500,483)	
September 30, 2017	1,921,843	516,721	773	(883)	197,097	6,133	445,285	3,086,969	218,121	3,305,090	

Notes from management to interim financial information

# RAÍZEN COMBUSTÍVEIS S.A.

## Statements of cash flows - indirect method Six-month period ended September 30, 2018 and 2017 In thousands of reais – R\$

	Parent company		Consolidated	
	Apr-Sep/18	Apr-Sep/17	Apr-Sep/18	Apr-Sep/17
Cash flow from operating activities				
Income before income and social contribution taxes	750,865	1,056,960	784,526	1,191,842
Adjustments:				
Depreciation and amortization (Note 19)	83,053	89,424	89,784	98,865
Amortization of assets from contracts with clients (Notes 8 and 18)	186,728	169,574	218,499	198,635
Equity accounting result of subsidiaries and associated companies (Note 9)	(200,076)	(199,484)	-	-
Loss (gain) on disposal of property, plant and equipment (Note 20)	3,107	(11,303)	(44,408)	(29,898)
Interest, monetary and exchange-variations, net	933,477	121,251	1,050,079	116,427
Change financial instruments fair value (Notes 7, 13 and 21)	48,313	24,662	48,313	24,662
Loss (gain) with derivative financial instruments, net	(796,710)	49,897	(869,151)	55,500
Recognition of extemporaneous tax credits, net (Note 20)	(47,239)	(139,937)	(67,018)	(162,787)
Change in inventories' fair value - Hedge of fair value (Notes 6 and 22.e)	2,959	(15,863)	2,959	(15,863)
Other	1,010	22,836	8,884	25,237
Changes in assets and liabilities				
Trade accounts receivable and advances from clients	(265)	(257,686)	(119,666)	(287,980)
Inventories	(126,091)	(253,048)	(333,218)	(282,978)
Restricted cash	(12,864)	38,432	(12,864)	38,432
Payments of assets from contracts with clients	(267,231)	-	(332,453)	-
Derivative financial instruments	113,340	(135,714)	205,826	(210,207)
Related parties	10,181	(138,278)	250,756	(125,410)
Suppliers and advances to suppliers	61,007	226,706	(501,338)	412,341
Recoverable and payable taxes	(166,999)	(130,310)	(264,799)	(245,081)
Payroll and related charges payable	(48,666)	(38,061)	(52,882)	(37,012)
Other assets and liabilities, net	(61,846)	(86,093)	(74,747)	(67,384)
Payment of income and social contribution taxes on net income	-	-	(29,412)	(30,290)
Net cash generated (used) in operating activities	466,053	393,965	(42,330)	667,051
Cash flow from investment activities				
Additions to investment (Note 9.a.1)	(185,404)	(5,849)	-	-
Advance for business acquisition (Note 1.1)	(341,010)	-	(341,010)	-
Additions to property, plant and equipment and intangible assets (Notes 10, 11 and 24.b)	(62,339)	(288,215)	(92,464)	(332,375)
Cash received upon disposal of fixed assets	3,086	28,220	69,493	58,660
Dividends received from subsidiaries	156,918	122,582	-	-
Net cash used in investment activities	(428,749)	(143,262)	(363,981)	(273,715)
Cash flow from financing activities				
Funding of loans and financing, liquid (Note 13)	1,407,777	-	1,407,777	-
Amortizations of principal of loans and financing - third-parties	(29,283)	(7,994)	(29,283)	(7,994)
Payment of interest on loans and financing - third-parties	(58,992)	(18,879)	(58,992)	(18,879)
Payment of interest on export prepayments ("PPEs"), intragroup	(58,845)	(43,548)	(58,845)	(43,548)
Payment of dividends and interest on own capital (Note 17.b)	(514,486)	(509,859)	(544,421)	(544,201)
Management of financial funds intragroup, net and other	(282,431)	291,704	186,003	(89,687)
Net cash generated (used) in financing activities	463,740	(288,576)	902,239	(704,309)
Increase (decrease) in cash and cash equivalents	501,044	(37,873)	495,928	(310,973)
Cash and cash equivalents at the beginning of the period (Note 3)	1,176,505	185,100	1,420,336	517,789
Effect of exchange variation on cash and cash equivalents	39,742	(673)	39,742	(673)
Cash and cash equivalents at the end of the period (Note 3)	1,717,291	146,554	1,956,006	206,143

Supplementary information to the cash flow is shown in Note 24.

Notes from management to interim financial information

# RAÍZEN COMBUSTÍVEIS S.A.

## Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

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### 1. Operations

Raízen Combustíveis S.A. ("Company", "RCSA" or "Raízen Combustíveis") is a closely-held corporation headquartered at Rua Victor Civita, 77, Bloco 1, Edifício 6, 4º floor, in the city of Rio de Janeiro, Rio de Janeiro, Brazil. The Company is indirectly jointly-controlled by Royal Dutch Shell ("Shell") and Cosan Limited ("Cosan").

The Company is mainly engaged in: (i) distributing and marketing oil and ethanol by-products, and other fluid hydrocarbons and their by-products under Shell brand; (ii) trade of natural gas; (iii) operate as franchiser and licensor of Select convenience stores; (iv) importing and exporting the products previously mentioned and; (v) holding ownership interest in other companies.

#### 1.1. Acquisition of 100% of shares from fuel and lubricants refining and distribution business in Argentina held by Shell Overseas Investments B.V. and B.V. Dordtsche Petroleum Maatschappij ("Shell Group")

On October 1, 2018, RCSA and its subsidiary Raízen Argentina Holdings S.A.U ("Buyers") completed an agreement for the acquisition of Shell's downstream ("DS") business in Argentina, through the acquisition of 100% of the shares issued by Shell Compañía Argentina de Petróleo S.A. and by Energina Compañía Argentina de Petróleo S.A. ("Acquired Companies"), all shares previously held by the Shell Group. The Acquired Companies operate in Argentina in the following business segments, among others: oil refining, fuel distribution, operation of fuel retail stations, manufacturing and sale of automotive and industrial lubricants, and manufacturing and sale of liquefied petroleum gas ("LPG").

Shell's DS operation in Argentina has a network of 665 gas stations. The aforementioned acquisition also features a refinery with a privileged location in Buenos Aires, a lubricant plant, three land-based terminals, two aviation fuelling terminals, and five LPG bottling plants.

The aforementioned acquisition represents an important growth opportunity for RCSA, expanding and replicating its successful model implemented in Brazil, obtaining logistics, market and financial synergies

The consolidation of this operation by RCSA took into consideration the long-term perspective of a structured market, quality of the assets, expertise of the local team, and strength of the Shell brand in that country.

The total amount to be paid by the Buyers to the Shell Group for the acquisition of the DS business, after price adjustments set forth in the purchase and sale agreement, is US \$ 916,360 thousand, equivalent to R\$ 3,625,965. Of this amount, (i) US\$ 100,000 thousand were advanced as a deposit on April 24, 2018, corresponding to the equivalent of R\$ 341,010 on that date; (ii) US\$ 370,204 thousand were paid on October 1, 2018, corresponding to the equivalent of R\$ 1,488,151; and (iii) US\$ 446,156 thousand will be paid by December 2019, converted by the PTAX rate on the date of completion of the acquisition, equivalent to R\$ 1,796,804.

The total amount is still subject to final adjustments, which are not significant, based on the financial statements on the date of the operation.

In compliance with Argentina's legislation on competition, this acquisition is under review by the local competition authorities.

# **RAÍZEN COMBUSTÍVEIS S.A.**

## **Notes from management to the interim financial information as of September 30, 2018**

**In thousands of reais - R\$, unless otherwise indicated**

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### **1.2. Operations**

As announced to the market disclosed on August 2, 2018, the Civil Police of the State of Paraná launched, on July 31, 2018, Operation "Controlled margin", with the goal of collecting statements and to get documents from employees of distributors of fuel with operations in Paraná, including RCSA, on suspicion of possible practices to control the final price of fuel, sold at retailers located in that region. On that same date, search and seizure warrants were executed and three of RCSA's employees were temporarily arrested and on August 3rd, after the statements made to Police Inquiry the court ordered their release. Up to the present moment, in view of the existing information, no irregular conduct may be attributed to RCSA or its employees. No complaints were filed against any employees of RCSA, and no court order was issued determining the freeze of any assets or funds in its bank accounts.

In parallel, also on July 31, 2018, a complaint was filed by the Public Ministry of the Federal District, related to "Operation Dubai". This procedure involves, among others, the RCSA and an employee for alleged practice of unlawful competition. In this context, the assessment of RCSA, based on the information available, is that the above-mentioned allegations do not find factual and legal support. In an autonomous action, and aiming to obtain indemnification for the damages potentially suffered by the civil society due to these conducts, the Federal Public Prosecutor filed a redress action in the face of all those involved, which is in the initial stage of the proceedings. There is a request to block goods and securities against, among others, the RCSA, which was not effected due to guarantees given in court. Both procedures are being defended and appealed to, since the RCSA understands that there are no elements that constitute responsibility of its or its representatives in the investigated practices.

There was no relevant update on this topic in relation to that disclosed in the interim accounting information for the period ended June 30, 2018.

To the present date, there are no final court decision nor relevant impact on RCSA's business.

However, if the operations prove to be true in the future, any penalties may have an effect on the Company's financial position, results of operations, and future cash flows. Regarding the financial statements of RCSA, it is currently not practicable to determine if there is any probable loss arising from a present obligation in view of a past event or reasonable measurement as to the possible provision for contingencies on this subject in this interim financial information.

## **2. Presentation of interim financial information and significant accounting policies**

### **2.1. Preparation basis**

The interim financial information has been prepared in accordance with the Technical Pronouncement CPC 21 (R1) - Interim Statements and the international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB.

This interim financial information has been prepared following the basis of preparation and accounting policies consistent with the ones adopted in the preparation of annual financial statements on March 31, 2018 and should be read together with these statements, except for the adoption as of April 1, 2018 of certain standards, amendments to standards and interpretations to IFRS issued by IASB (Note 2.3). Information from accompanying notes which did not suffer material changes or showed irrelevant disclosures compared to those March 31, 2018 and were not fully reproduced in this interim financial information. However, select information was included to explain the main events and transactions that took place, in order to provide an understanding of the changes in the Company's financial position and operating performance since the disclosure of the annual financial statements at March 31, 2018.

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

The preparation of this interim financial information, Management used judgments, estimates and assumptions that affect the application of accounting policies of the Company, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed continually, and did not suffer any material changes in the preparation of this interim financial information in comparison to the annual financial statements at March 31, 2018.

All relevant information specific to the financial statements, and only such information, is being evidenced, and corresponds to the information used by its Management.

The issuance of the interim financial information of the Company was authorized by the Management on November 8, 2018.

#### 2.2. Basis of consolidation

The consolidated interim financial information includes the quarterly information of RCSA and its direct and indirect subsidiaries as follows:

	<u>09/30/2018</u>	<u>03/31/2018</u>
Blueway Trading Importação e Exportação S.A. ("Blueway")	100%	100%
Petróleo Sabbá S.A. ("Sabbá")	80%	80%
Raízen Argentina Holdings S.A.U ("RAHSA")	100%	100%
Raízen Conveniências Ltda	100%	100%
Raízen S.A.	100%	100%
Raízen Sabbá Conveniências Ltda. ("Conveniências Sabbá")	96%	96%
Raízen Mime Conveniências Ltda. ("Conveniências Mime")	91%	91%
Raízen Mime Combustíveis S.A. ("Mime")	76%	76%
Sabor Raíz Alimentação S.A ("Sabor Raíz")	69%	69%
Saturno Investimentos Imobiliários Ltda. ("Saturno")	100%	100%

#### 2.3. Changes in significant accounting policies due to the new IFRS / CPC and IFRIC / ICPC

Except as described below, the accounting policies applied in this interim financial information are the same applied in the individual and consolidated financial statements of the Company in the year ended March 31, 2018.

Changes in accounting policies shall be also be reflected in the RCSA's annual, individual and consolidated financial statements for the year ending March 31, 2019.

On April 1, 2018 RCSA adopted the following main accounting standards, amendments to the accounting standards and interpretations of the IFRS issued by the IASB: (a) IFRS 9 - Financial Instruments (CPC 48), (b) IFRS 15 - Revenue from Contracts with Customers (CPC 47) and (c) Interpretation IFRIC 22 - Foreign Currency Transactions and Advance Consideration (ICPC 21).



## **RAÍZEN COMBUSTÍVEIS S.A.**

### **Notes from management to the interim financial information as of September 30, 2018**

**In thousands of reais - R\$, unless otherwise indicated**

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#### **(a) IFRS 9 (CPC 48)**

IFRS 9 (CPC 48) sets out, among others, new requirements for: classification and measurement of financial assets, measurement and recognition of impairment losses on financial assets, hedge accounting and disclosure.

In accordance with the transitional provisions of IFRS 9 (CPC 48), the Company did not restate its prior period financial statements and, when applicable, the differences in the book values of financial assets and financial liabilities resulting from the adoption of IFRS 9 (CPC 48) on April 1, 2018, were recognized in retained earnings in equity. See item (d) below.

##### **(a.1) Impairment of financial assets**

The main impact of the adoption is associated with the replacement of the “incurred loss” model of IAS 39 - Financial Instruments: Recognition and Measurement (CPC 38 - Financial Instruments: Recognition and Measurement) with an “expected credit loss” model. Such impairment model applies to financial assets measured at amortized cost, contractual assets and debt instruments measured at fair value through other comprehensive income, but is not applicable to investments in equity instruments.

The expected loss matrix adopted by RCSA, considers the grouping of clients with similar default characteristics, by sales channel and rating (client risk rating, measured internally).

On April 1, 2018, the impact of the adoption of the new standard was R\$ 3,045 and R\$ 3,636, RCSA and consolidated, respectively.

##### **(a.2) Classification and measurement of financial assets**

IFRS 9 (CPC 48) retains a large part of the existing requirements of IAS 39 (CPC 38) for the classification and measurement of financial liabilities. However, the above standard eliminates the old categories of IAS 39 (CPC 38) for financial assets: (i) held-to-maturity, (ii) loans and receivables and (iii) available for sale.

The adoption of IFRS 9 (CPC 48) had no impact on accounting policies of the Company in connection with financial liabilities and derivative financial instruments. The impact of IFRS 9 (CPC 48) on classifications of financial assets did not generate any measurement impacts, as shown below based on the balances by class of financial assets on April 1, 2018, whose balance is similar to that disclosed in the annual financial statements as of March 31, 2018:

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

Consolidated Financial assets	Original classification in accordance with IAS 39 (CPC 38)	New classification in accordance with IFRS 9 (CPC 48)	03/31/2018
Cash and cash equivalents, except for investments	Loans and receivables	Amortized cost	482,133
Interest earnings bank deposits	Fair value through profit or loss	Fair value through profit or loss	938,203
Restricted cash, except for restricted financial investments	Loans and receivables	Amortized cost	21,557
Restricted financial investments (Restricted cash)	Fair value through profit or loss	Fair value through profit or loss	30,940
Trade accounts receivable	Loans and receivables	Amortized cost	2,602,258
Derivative financial instruments	Fair value through profit or loss or other comprehensive income (for those designated as hedge accounting)	Fair value through profit or loss or other comprehensive income (for those designated as hedge accounting)	103,416
Related parties	Loans and receivables	Amortized cost	1,376,878
<b>Total</b>			<b><u>5,555,385</u></b>

#### (a.3) Hedge accounting

The new hedge accounting requirements were applied prospectively. The cash flow hedge relationships of highly probable future exports or imports for the purposes of IAS 39 (CPC 38) were considered continuous hedge relationships for the purposes of IFRS 9 (CPC 48), since they also qualify for hedge accounting in accordance with the new pronouncement.

#### (b) IFRS 15 (CPC 47)

IFRS 15 (CPC 47) introduces a comprehensive framework for determining whether and when income is recognized. IFRS 15 (CPC 47) replaces current guidelines for recognition of income in IAS 18 - Revenue (CPC 30), IAS 11 - Construction Contracts (CPC 17) and IFRIC 13 - Client Loyalty Programs.

RCSA determined when (or to what extent) and in which amounts revenue from contracts with customers should be recognized according to the model consisting of the following five steps: (1) contract identification with client; (2) identification of performance obligations; (3) Determination of transaction price; (4) allocation of the transaction price to performance obligations; (5) recognition when (or while) the performance obligation is satisfied A performance obligation is considered satisfied when (or to the extent that) the customer obtains control of the promised good or service.

In accordance with the transitional provisions of IFRS 15 (CPC 47), RCSA did not restate its prior period interim financial information. The differences in the book values resulting from the adoption of IFRS 15 (CPC 47) on April 1, 2018, would be recognized in retained earnings in equity. However, as shown in item (d) below, the impacts were only reclassifications between assets, with no impacts on equity.

RCSA did not identify any material impacts on the recognition of its income or its payments to obtain them. However, with the advent of IFRS 15 (CPC 47), there was a change in the scope of IAS 38 - Intangible Assets (CPC 04), no longer allowing contracts with customers to be recognized under the heading of Intangible assets. Accordingly, as of April 1, 2018, agreements granting exclusive rights to supply the gas stations were classified in the balance sheet as operating assets under the heading of assets of contracts with customers, separated between current and non-current, based on the projected consumption of fuel by customers over the next twelve months. Consequently, the impact on the

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

Statements of Cash Flows will shift from the investment activity to operating activity. See item (d) below.

#### (c) IFRIC 22 (ICPC 21)

IFRIC 22 (ICPC 21) defines that the date of transaction for effects of determination of the exchange rate should be the date on which the entity first recognizes the non-monetary asset or liability derived from the early payment or receipt.

RCSA opted for the prospective adoption of the aforementioned standard, whose analysis indicated immaterial impacts on the adoption.

#### (d) Impacts of the new IFRS/CPC and IFRIC/ICPC on interim financial information

The table below summarizes the impacts on the adoption of standards IFRS 9 (CPC 48) and IFRS 15 (CPC 47).

- Balance sheets at March 31, 2018:

Balance sheet items	Disclosed at 03/31/2018	Adjustment due to first-time		Parent company	
		IFRS 9 (CPC 48)	IFRS 15 (CPC 47)	Note	Balance at 04/01/2018
<b>Current assets</b>					
Trade accounts receivable	1,732,859	(3,045)	-	5	1,729,814
Assets from contracts with clients	-	-	356,735	8	356,735
<b>Non-current assets</b>					
Assets from contracts with clients	-	-	1,540,168	8	1,540,168
Investments	1,272,905	(467)	-	9	1,272,438
Intangible assets	2,566,640	-	(1,896,903)	11	669,737
<b>Non-current liabilities</b>					
Deferred income and social contribution taxes	228,987	(1,034)	-	14	227,953
<b>Equity</b>					
Retained earnings	-	(2,478)	-	17	(2,478)

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

Balance sheet items	Disclosed at 03/31/2018	Adjustment due to first-time		Note	Consolidated
		IFRS 9 (CPC 48)	IFRS 15 (CPC 47)		Balance at 04/01/2018
<b>Current assets</b>					
Trade accounts receivable	2,154,402	(3,636) (*)	-	5	2,150,766
Assets from contracts with clients	-	-	415,697	8	415,697
<b>Non-current assets</b>					
Deferred income and social contribution taxes	68,928	1,117	-	14	70,045
Assets from contracts with clients	-	-	1,790,081	8	1,790,081
Intangible assets	2,879,060	-	(2,205,778)	11	673,282
<b>Equity</b>					
Retained earnings	-	(2,519)	-	17	(2,519)

(\*) Includes the amount of R\$ 351 recorded in the companies controlled directly by RCSA, for which no deferred taxes are calculated because these companies are taxed under the deemed income method.

- Other information

On April 1, 2018, there were no impacts on the statements of income, comprehensive income, changes in equity, cash flows and as a result of the amendments made to the new IFRSs/CPC and IFRIC/ICPC mentioned above.

#### 2.4. New IFRS / CPC and IFRIC / ICPC Interpretations (IASB Financial Reporting Interpretations Committee) applicable to interim financial information

The following new standard and standard interpretation were issued by the IASB but are not yet effective for the period ended September 30, 2018. The early adoption of standards, although accepted by the IASB, is not allowed in Brazil by the Accounting Pronouncement Committee (CPC).

##### IFRS 16 - Leases (CPC 06 (R2))

IFRS 16 (CPC 06 (R2)) introduces a single model of accounting of leases in the balance sheet to lessees. A lessee recognizes an asset of right of use that represents its right to use the leased asset, and a lease liability that represents its obligation to make lease payments. Optional exemptions are available for short-term leases and low value items. The lessor's accounting remains similar to the current standard, that is, lessors continue to classify leases as financial or operating leases.

IFRS 16 (CPC 06 (R2)) replaces the current lease standards, including CPC 06 (IAS 17) - Commercial Lease Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) - Complementary Aspects of Commercial Lease Operations and it is effective for fiscal periods starting or after January 1, 2019 (in case of the Raizen Group, as of April 1, 2019). The early adoption in IFRSs is only allowed for entities that apply IFRS 15 (CPC 47) on or before the date of early adoption of IFRS 16 (CPC 06 (R2)).

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

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The Company started initial evaluation of possible impact on this pronouncement. Until now, the most significant impact identified is that the Company will recognize new assets and liabilities for its operating leases of fuel distribution bases, warehouses and vehicles. In addition, the nature of expenses related to these leases will be changed, since IFRS 16 (CPC 06 (R2)) replaces the linear operating lease expense for expenses of depreciation of the right of use and interest on lease liabilities.

The Company has not yet decided if it will use optional exemptions, practical expedients and transition methodology.

Besides the aforementioned standards, there are no IFRS/CPC or IFRIC/ICPC interpretations that are effective and as Management's current understanding, may result in relevant impacts to the Company.

### 3. Cash and cash equivalents

	Index	Weighted average remuneration		Parent company		Consolidated	
		09/30/2018	03/31/2018	09/30/2018	03/31/2018	09/30/2018	03/31/2018
Funds in banks and in cash				93,096	462,282	331,314	482,120
Values awaiting foreign exchange closure				15	13	15	13
Interest earnings bank deposits							
Investment Funds (1)	CDI	94.2%	99.2%	25,564	405,675	25,564	405,675
Bank deposit certificate (CDB) and commitments (2)	CDI	90.5%	99.7%	1,598,616	308,535	1,599,113	532,528
				1,624,180	714,210	1,624,677	938,203
				1,717,291	1,176,505	1,956,006	1,420,336
Domestic (domestic currency)				1,690,756	786,345	1,744,068	1,030,176
Abroad (foreign currency) (Note 22.d)				26,535	390,160	211,938	390,160
				1,717,291	1,176,505	1,956,006	1,420,336

(1) Refer to investment in fixed income funds managed by first-class financial institutions, divided into quotas with daily earnings and liquidity.

(2) Refer to fixed income investments in first-class financial institutions.

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

#### 4. Restricted cash

	Index	Weighted average remuneration		Parent company and Consolidated	
		09/30/2018	03/31/2018	09/30/2018	03/31/2018
Financial investments linked to derivative operations (Note 22.g) (1)	CDI	101.4%	101.4%	23,343	13,835
Financial investments linked to financing (2)	CDI	100.0%	100.0%	17,605	17,105
Margin on derivative operations (Note 22.g) (3)				26,954	21,557
				<u>67,902</u>	<u>52,497</u>
Domestic (domestic currency)				40,949	30,940
Abroad (foreign currency) (Note 22.d)				26,953	21,557
				<u>67,902</u>	<u>52,497</u>

- (1) Refer to investments such as CDBs and overseas public bonds with first-class financial institutions, which are used as collateral provided in transactions with derivative instruments.
- (2) Correspond to LFTs (Financial Treasury Bills) with prime banks, held by virtue of National Bank of Economic and Social Development ("BNDES") financing and with redemption subject to payment of certain portions of the mentioned financing.
- (3) Margin deposits in derivative transactions are related to the margin calls at a commodities exchange (New York Mercantile Exchange ("NYMEX") and B3 S.A. Brasil, Bolsa, Balcão ("B3")), and are exposed to US dollar fluctuations in derivative transactions.

#### 5. Trade accounts receivable

	Parent company		Consolidated	
	09/30/2018	03/31/2018	09/30/2018	03/31/2018
Domestic (domestic currency)	1,838,023	1,799,076	2,254,949	2,214,354
Abroad (foreign currency) (Note 22.d)	2,871	1,907	2,871	1,907
Funding to clients (i)	477,709	461,490	635,466	572,090
Estimated loss from allowance for doubtful accounts	(147,659)	(160,868)	(177,750)	(186,093)
	2,170,944	2,101,605	2,715,536	2,602,258
Current	<u>(1,821,628)</u>	<u>(1,732,859)</u>	<u>(2,251,164)</u>	<u>(2,154,402)</u>
Non-current	<u>349,316</u>	<u>368,746</u>	<u>464,372</u>	<u>447,856</u>

- (i) Client financing substantially consists of the payment in installments of outstanding debts and sales of properties, as well as financing agreements backed by security interest, pledges and endorsements whose main purpose is the setup or modernization of gas stations. Finance charges and repayment deadlines are agreed by contract and set according to a business assessment of each negotiation.

The Company did not pledge any trade recognized under Accounts receivable to secure financial transactions.

The maximum exposure to credit risk on the balance sheet date is the book value of each of the types of accounts receivable mentioned above.

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

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The aging schedule of trade and other receivables and funding to clients is as follows:

	Parent company		Consolidated	
	09/30/2018	03/31/2018	09/30/2018	03/31/2018
Falling due	1,983,671	1,915,415	2,428,362	2,328,572
Overdue (days):				
Up to 30	28,659	30,018	53,997	50,383
31-90	19,710	35,381	31,101	75,279
91-180	32,646	14,793	45,319	19,468
>180	253,917	266,866	334,507	314,649
	<u>2,318,603</u>	<u>2,262,473</u>	<u>2,893,286</u>	<u>2,788,351</u>

For long overdue trade with no estimated loss, the Company has real guarantees as mortgage and credit letters.

The estimated loss in allowance for doubtful accounts was calculated based on credit risk analysis, which contemplates loss history, individual situation of clients, situation of the corporate group to which they belong, real guarantees for debts and the assessment of the legal advisors.

Allowance for doubtful accounts is considered sufficient by the Company's Management to cover possible losses on amounts receivable; movement is as follows:

	Parent company	Consolidated
March 31, 2018	(160,868)	(186,093)
Initial adoption of IFRS 9 (CPC 48) (Note 2.3)	(3,045)	(3,636)
April 1, 2018	(163,913)	(189,729)
Reversal of estimated loss, net	16,254	11,979
September 30, 2018	<u>(147,659)</u>	<u>(177,750)</u>

## 6. Inventories

	Parent company		Consolidated	
	09/30/2018	03/31/2018	09/30/2018	03/31/2018
Finished goods:				
Diesel (1)	656,615	537,957	1,061,437	761,781
Gasoline (1)	660,331	619,995	822,624	758,942
Jet fuel (Jet A-1)	144,450	93,364	144,450	93,364
Ethanol	121,788	167,109	126,246	172,780
Warehouse and other	22,469	64,095	27,470	65,100
Estimated loss on realization and obsolescence	(483)	(611)	(483)	(611)
	<u>1,605,170</u>	<u>1,481,909</u>	<u>2,181,744</u>	<u>1,851,356</u>

(1) On September 30, 2018, these inventories are reduced by the overall amount of R\$ 13,868 (plus the amount of R\$ 16,827 on March 31, 2018), as a result of fair value measurement. The Company uses the Tier 2 hierarchy to determine and disclose said fair value. See Note 22.e.

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

## 7. Related parties

### (a) Summary of related party balances

	Parent company		Consolidated	
	09/30/2018	03/31/2018	09/30/2018	03/31/2018
<b>Assets</b>				
<b>Classification of assets by currency:</b>				
Domestic (domestic currency)	1,636,258	1,309,570	1,627,283	1,282,247
Abroad (foreign currency)	73,690	94,631	73,690	94,631
	<u>1,709,948</u>	<u>1,404,201</u>	<u>1,700,973</u>	<u>1,376,878</u>
<b>Asset management (1)</b>				
Raízen Energia S.A. and its subsidiaries	289,112	997	404,215	103,403
	<u>289,112</u>	<u>997</u>	<u>404,215</u>	<u>103,403</u>
<b>Commercial and administrative operations (3)</b>				
Rumo Group	134,720	117,167	136,239	118,651
Shell Aviation Limited	73,690	94,631	73,690	94,631
Agricopel Group	3,844	1,652	30,482	25,439
Raízen Energia S.A. and its subsidiaries	33,210	11,764	33,742	11,835
Raízen Mime Combustíveis S.A.	109,614	91,389	-	-
Petróleo Sabbá S.A.	41,378	55,381	-	-
Other	8,430	14,931	7,891	9,194
	<u>404,886</u>	<u>386,915</u>	<u>282,044</u>	<u>259,750</u>
<b>Framework agreement (4)</b>				
Shell Brazil Holding B.V.	924,281	921,865	924,281	921,865
Shell Brasil Petróleo Ltda.	66,082	67,419	66,082	67,419
Cosan S.A. Indústria e Comércio	15,656	15,124	15,656	15,124
Other	-	-	8,695	9,317
	<u>1,006,019</u>	<u>1,004,408</u>	<u>1,014,714</u>	<u>1,013,725</u>
<b>Preferred shares (5)</b>				
Raízen Mime Combustíveis S.A.	9,931	11,881	-	-
	<u>9,931</u>	<u>11,881</u>	<u>-</u>	<u>-</u>
	<u>1,709,948</u>	<u>1,404,201</u>	<u>1,700,973</u>	<u>1,376,878</u>
Current assets	<u>(830,271)</u>	<u>(533,179)</u>	<u>(827,791)</u>	<u>(512,045)</u>
Non-current assets	<u>879,677</u>	<u>871,022</u>	<u>873,182</u>	<u>864,833</u>



## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

	Parent company		Consolidated	
	09/30/2018	03/31/2018	09/30/2018	03/31/2018
<b>Liabilities</b>				
<b>Classification of liabilities by currency:</b>				
Domestic (domestic currency)	1,164,906	1,133,899	985,576	596,969
Abroad (foreign currency)	3,090,725	2,620,584	3,780,062	2,860,952
	<u>4,255,631</u>	<u>3,754,483</u>	<u>4,765,638</u>	<u>3,457,921</u>
<b>Asset management (1)</b>				
Raízen Energia S.A. and its subsidiaries	-	-	499,519	12,160
	-	-	499,519	12,160
<b>Financial operations (2)</b>				
Raízen Fuels Finance S.A. ("Raízen Fuels")	3,088,678	2,573,577	3,088,678	2,573,577
Other	3,287	-	3,292	1
	<u>3,091,965</u>	<u>2,573,577</u>	<u>3,091,970</u>	<u>2,573,578</u>
<b>Commercial and administrative operations (3)</b>				
Raízen Energia S.A. and its subsidiaries	31,137	163,989	728,020	408,630
Shell Aviation Limited	1,174	14,652	1,174	14,652
Rumo Group	7,387	14,180	7,566	14,793
Petróleo Sabbá S.A.	28,705	111,175	-	-
Raízen Mime Combustíveis S.A.	14,099	70,703	-	-
Blueway Trading Importação e Exportação S.A.	644,823	373,829	-	-
Other	7,290	12,430	7,984	13,806
	<u>734,615</u>	<u>760,958</u>	<u>744,744</u>	<u>451,881</u>
<b>Framework agreement (4)</b>				
Shell Brasil Petróleo Ltda.	110,438	99,998	110,468	100,028
Shell Brazil Holding B.V.	29,470	34,317	29,591	34,438
Other	1,079	1,079	1,282	1,282
	<u>140,987</u>	<u>135,394</u>	<u>141,341</u>	<u>135,748</u>
<b>Preferred shares (5)</b>				
Shell Brazil Holding B.V.	288,064	284,554	288,064	284,554
	<u>288,064</u>	<u>284,554</u>	<u>288,064</u>	<u>284,554</u>
	<u>4,255,631</u>	<u>3,754,483</u>	<u>4,765,638</u>	<u>3,457,921</u>
Current liabilities	<u>(1,170,170)</u>	<u>(1,172,156)</u>	<u>(1,680,172)</u>	<u>(875,594)</u>
Non-current liabilities	<u>3,085,461</u>	<u>2,582,327</u>	<u>3,085,466</u>	<u>2,582,327</u>

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

#### (1) Asset management

The amounts recorded in assets refer to funds available to RESA as a form of managing financial resources. On these transactions, the Company recorded in the six-month period ended September 30, 2018, financial income in the amount of R\$ 2,867 and R\$ 7,878 (R\$ 14 and R\$ 7,483 as of September 30, 2017), Parent Company and Consolidated, respectively, according to the cash financial management, under the terms of the resource management agreement.

The amounts recorded in liabilities refer to funds received from RESA as a form of managing financial resources. On these transactions, the Company recorded in the six-month period ended September 30, 2018, financial expenses in the amount of R\$ 470 and R\$ 11,708 (R\$ 20,550 and R\$ 26,284 as of September 30, 2017), Parent Company and Consolidated, respectively, according to the cash financial management, under the terms of the resource management agreement.

#### (2) Financial operations

As of September 30 and March 31, 2018, the amount recorded in liabilities of the Parent Company and Consolidated refers mainly to export prepayment agreements (“PPE”) payable to Raízen Fuels, as shown below:

Contract	Currency	Principal value in foreign currency	Maturity	Annual effective average interest rate	Index	Parent company and Consolidated	
						09/30/2018	03/31/2018
PPE	US\$	219,000	04/27/2020	4.06%	Libor	891,284	729,137
PPE	US\$	350,000	01/20/2027	5.49%	-	1,375,957	1,128,224
		569,000		-	-	2,267,241	1,857,361
PPE	€	66,000	10/15/2021	3.09%	-	333,364	291,753
PPE	€	40,000	01/20/2022	1.89%	Euribor	193,452	168,699
PPE	€	60,000	09/21/2022	2.18%	Euribor	294,621	255,764
		166,000				821,437	716,216
						3,088,678	2,573,577
				Current		(25,524)	(17,408)
				Non-current		3,063,154	2,556,169

As of September 30, 2018, the Company designates Export prepayment - PPEs in the amount of R\$ 3,088,678 (R\$ 2,573,577 as of March 31, 2018) as financial liabilities measured at fair value through profit or loss. Accordingly, as of September 30, 2018, said export prepayment agreements - PPEs are plus fair value appraisal in the amount of R\$ 12,284 (plus R\$ 1,081 as of March 31, 2018), with a negative impact in the income (loss) for the six-month period then ended was R\$ 11,204 (negative impact of R\$ 11,609 as of September 30, 2018, recognized in financial income (loss)).

## **RAÍZEN COMBUSTÍVEIS S.A.**

### **Notes from management to the interim financial information as of September 30, 2018**

**In thousands of reais - R\$, unless otherwise indicated**

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#### **(3) Commercial and administrative operations**

As of September 30, 2018, the amounts recorded in assets of R\$ 404,886 and R\$ 282,044 (R\$ 386,915 and R\$ 259,750 as of March 31, 2018), Parent Company and Consolidated, respectively, refer to commercial transactions for the sale of products, such as gasoline, diesel and Jet.

As of September 30, 2018, the amounts recorded in liabilities of R\$ 734,615 and R\$ 744,744 (R\$ 760,958 and R\$ 451,881 as of March 31, 2018), Parent Company and Consolidated, respectively, substantially refers to the business operations of purchase of products and rendering of services such as ethanol, diesel, gasoline, road and railroad freights, storage and debit notes for reimbursement of shared expenses.

#### **(4) Framework agreement**

The sums recorded in assets and liabilities refer to refundable values chargeable to shareholders, existing prior to the creation of Raízen, when actually realized or settled.

#### **(5) Preferred shares**

On September 30 and March 31, 2018, it is related to credit from preferred shares receivable from Mime related to the earnings from certain disinvestments made thereby.

Payable preferred shares substantially result from tax benefit amounts to reimburse Shell, when effectively utilized by the Company, determined at balances of tax losses and negative basis of social contribution and tax benefit on amortization of goodwill ("GW"). Reimbursement shall occur through distribution of disproportionate dividends and/or capital decrease to holders of C class preferred shares, fully redeemed in the year ended March 31, 2018 and E (liability instrument).

During the six-month period ended September 30, 2018, the tax credits arising from overpayments of corporate income tax ("IRPJ") and social contribution ("CSLL") for 2010 and 2011, related to Class E preferred shares due to Shell, adjusted by the Selic rate, totaled R\$ 3,510 (R\$ 8,644 as of September 30, 2017).

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

#### (b) Related party transactions (7)

	<b>Parent company</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
<b>Sale of products</b>				
Rumo Group (4)	325,042	626,427	274,457	511,500
Shell Aviation Limited	349,545	433,392	203,813	364,848
Agricopel Group (5)	25,427	44,191	15,154	18,569
Raízen Energia S.A. and its subsidiaries	211,256	416,656	198,371	350,219
Petróleo Sabbá S.A.	178,848	291,959	221,360	445,496
Raízen Mime Combustíveis S.A.	292,950	571,836	206,106	415,670
Other	25,002	52,323	26,196	41,491
	<u>1,408,070</u>	<u>2,436,784</u>	<u>1,145,457</u>	<u>2,147,793</u>
<b>Purchase of goods and services</b>				
Raízen Energia S.A. and its subsidiaries (6)	(273,610)	(556,567)	(215,351)	(470,464)
Rumo Group (4)	(41,053)	(76,351)	(36,391)	(65,212)
Agricopel Group (5)	(10,361)	(14,905)	(4,419)	(8,569)
Blueway Trading Importação e Exportação S.A. (6)	(1,223,832)	(2,759,863)	(814,832)	(1,642,028)
Petróleo Sabbá S.A. (6)	(248,900)	(600,077)	(156,927)	(572,033)
Raízen Mime Combustíveis S.A.	(100,622)	(264,352)	(130,745)	(265,472)
Other	(7,058)	(13,930)	(5,738)	(12,059)
	<u>(1,905,436)</u>	<u>(4,286,045)</u>	<u>(1,364,403)</u>	<u>(3,035,837)</u>
<b>Financial income (expenses) (1)</b>				
Raízen Energia S.A. and its subsidiaries	(203,012)	(577,655)	42,828	(140,545)
Shell Aviation Limited	5,223	21,990	(2,522)	(1,145)
Other	1,688	2,155	2,548	3,572
	<u>(196,101)</u>	<u>(553,510)</u>	<u>42,854</u>	<u>(138,118)</u>
<b>Service income (2)</b>				
Petróleo Sabbá S.A.	1,653	4,553	2,006	3,043
Raízen Mime Combustíveis S.A.	1,685	3,494	3,191	3,711
Shell Aviation Limited	877	1,485	876	1,704
Shell Brazil Holding B.V.	226	11,603	819	823
Raízen Energia S.A. and its subsidiaries	362	484	967	967
Other	200	379	183	1,394
	<u>5,003</u>	<u>21,998</u>	<u>8,042</u>	<u>11,642</u>
<b>Service expenses (3)</b>				
Raízen Energia S.A. and its subsidiaries	(29,561)	(60,051)	(30,594)	(62,723)
Saturno Investimentos Imobiliários Ltda.	(5,254)	(14,748)	(6,713)	(13,557)
Shell Brasil Petróleo Ltda.	(4,830)	(8,841)	(3,219)	(7,378)
Shell International Petroleum	(1,330)	(2,774)	(1,426)	(2,258)
Shell Aviation Limited	-	-	-	(353)
Shell Brazil Holding B.V.	-	-	(978)	(978)
Other	(1,193)	(2,052)	(1,362)	(2,848)
	<u>(42,168)</u>	<u>(88,466)</u>	<u>(44,292)</u>	<u>(90,095)</u>

# RAÍZEN COMBUSTÍVEIS S.A.

## Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

	<b>Consolidated</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
<b>Sale of products</b>				
Rumo Group (4)	326,875	629,834	276,155	514,724
Shell Aviation Limited	349,545	433,392	203,813	364,848
Agricopel Group (5)	217,216	418,189	141,011	304,922
Raízen Energia S.A. and its subsidiaries	211,256	416,656	198,371	350,219
Other	25,002	52,323	26,197	41,491
	<u>1,129,894</u>	<u>1,950,394</u>	<u>845,547</u>	<u>1,576,204</u>
<b>Purchase of goods and services</b>				
Raízen Energia S.A. and its subsidiaries (6)	(1,335,523)	(2,714,430)	(391,770)	(1,085,608)
Shell Trading US Company	(6,716)	(13,972)	(424,704)	(990,490)
Rumo Group (4)	(42,341)	(79,137)	(37,478)	(67,059)
Agricopel Group (5)	(22,315)	(38,963)	(16,445)	(32,572)
Ilha Terminal	(9,961)	(9,961)	-	-
Companhia de Gás de SP	(3,857)	(7,593)	(3,032)	(6,224)
Shell International Petroleum	(1,330)	(2,774)	(1,576)	(2,903)
Shell Aviation Limited	(1,169)	(2,600)	(863)	(2,477)
Other	(700)	(962)	(268)	(454)
	<u>(1,423,912)</u>	<u>(2,870,392)</u>	<u>(876,136)</u>	<u>(2,187,787)</u>
<b>Financial income (expenses) (1)</b>				
Raízen Energia S.A. and its subsidiaries	(217,986)	(655,693)	46,990	(146,871)
Shell Trading US Company	48	(17,484)	14,030	2,992
Shell Aviation Limited	5,223	21,990	(2,522)	(1,145)
Other	2,046	2,851	2,837	4,433
	<u>(210,669)</u>	<u>(648,336)</u>	<u>61,335</u>	<u>(140,591)</u>
<b>Service income (2)</b>				
Agricopel Group	38	63	400	1,089
Shell Aviation Limited	877	1,485	875	1,704
Shell Brazil Holding B.V.	227	11,603	1,451	1,455
Shell Brasil Petróleo Ltda.	-	-	205	473
Raízen Energia S.A. and its subsidiaries	362	484	967	967
Shell Downstream Services International BV	-	-	36	760
Other	2	7	-	2
	<u>1,506</u>	<u>13,642</u>	<u>3,934</u>	<u>6,450</u>
<b>Service expenses (3)</b>				
Raízen Energia S.A. and its subsidiaries	(33,449)	(66,458)	(33,377)	(68,233)
Shell Brasil Petróleo Ltda.	(4,830)	(8,841)	(3,219)	(7,378)
Shell International Petroleum	(1,329)	(2,774)	(1,427)	(2,258)
Other	-	-	(978)	(1,468)
	<u>(39,608)</u>	<u>(78,073)</u>	<u>(39,001)</u>	<u>(79,337)</u>

- (1) Financial income (expenses) correspond to: (i) interest and exchange-rate changes of PP&E, funded in RESA, (ii) results obtained under the financial resource management agreement between the companies; and (iii) interest on debentures and (iv) commercial foreign exchange rate.
- (2) Refer to: (i) commissions on the sales of lubricants to Shell and (ii) shared expenses consists of expenses incurred by shared corporate, managerial and operating costs reimbursed from its subsidiaries.
- (3) Refer to: (i) shared expenses of expenditures incurred by shared corporate, managerial and operating costs from RESA; and (ii) expenses incurred with technical support, billing and collection, commissions on the sale of jet fuel and secondees from Shell.
- (4) The term Rumo Group refers to the railway and port operations represented by the companies Rumo S.A., Elevações Portuárias S.A., Logisport Armazéns Gerais S.A., Rumo Malha Sul S.A., Rumo Malha Oeste S.A., Rumo Malha Paulista S.A., Rumo Malha Norte S.A., ALL América Latina Logística Rail Management, Portofer Transporte Ferroviário Ltda. and Brado Logística S.A.
- (5) The term Agricopel Group refers mainly to the trading of fuel represented by the companies Agricopel Comércio de Derivados de Petróleo Ltda. e Posto Agricopel Ltda., whose relationship occurs through FIX Investimentos Ltda., which is the non-controlling shareholder of Mime.
- (6) Company's purchase transactions from subsidiaries Blueway, Sabbá, Mime and Agrícola Ponte Alta Ltda. and Raízen Trading LLP, controlled by RESA, are substantially represented by those originated from imports of ethanol and its by-products in foreign market.
- (7) Transactions with related parties are entered into under reasonable and cumulative conditions, in line with those prevailing in the market or that the Company would contract with third parties.

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

#### (c) Directors and members of the Board of Directors

Fixed and variable remuneration to Raízen Group's key management personnel, including statutory officers and members of the Board of Directors, recognized in the income (loss) for the period is as follows:

	<u>09/30/2018</u>	<u>09/30/2017</u>
Regular remuneration	(27,082)	(25,021)
Bonuses and other variable remuneration	(17,837)	(15,985)
Total remuneration	<u>(44,919)</u>	<u>(41,006)</u>

The Company shares the corporate, managerial and operational structures and costs of its related party RESA. The key management personnel is mostly comprised by RESA employees and the costs are transferred to the Company via issue of debit note. During the six-month period ended September 30, 2018, the Company reimbursed RESA in the amount of R\$ 28,016 (R\$ 31,896 on September 30, 2017) for such expenditures that are related to the entire corporate structure.

#### (d) Other significant information involving related parties

##### Guarantees

The Company is the guarantor of certain debts of its related party RESA.

#### 8. Assets from contracts with clients

This is equal to bonuses granted to RCSA's clients and depends on terms and future performance, in particular of the volumes as provided in supply agreements. Inasmuch as contractual conditions are met, bonuses are amortized and recognized in the income figures, in Taxes, deductions and rebates on sales (Note 18).

	<u>Parent company</u>	<u>Consolidated</u>
Balances at March 31, 2018	-	-
Initial adoption of IFRS 15 (CPC 47) (Note 2.3.b)	1,896,903	2,205,778
Balances at April 1, 2018	1,896,903	2,205,778
Additions of contracts	248,444	302,301
Amortization (Note 18)	(186,728)	(218,499)
Balance at September 30, 2018	<u>1,958,619</u>	<u>2,289,580</u>
Current	<u>(340,250)</u>	<u>(395,443)</u>
Non-current	<u>1,618,369</u>	<u>1,894,137</u>

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

## 9. Investments

### (a) Parent company and consolidated

	Country	Business	Equity interest percentage	Investments		Equity accounting results	
				09/30/2018	03/31/2018	Apr- Sep/18	Apr- Sep/17
<u>Book value</u>							
Raízen Argentina Holdings S.A.U. (Nota 1.1)	Argentina	Holding	100,00%	185,404	-	-	-
Petróleo Sabbá S.A.	Brazil	Trade of fuels	80,00%	666,725	647,719	49,107	78,890
Raízen Mime Combustíveis S.A.	Brazil	Trade of fuels	76,00%	143,605	181,257	14,006	34,889
Blueway Trading Importação e Exportação S.A.	Brazil	Import / Export	99,99%	159,077	109,907	49,169	38,712
Sabor Raiz Alimentação S.A.	Brazil	Food	69,35%	316	671	(355)	(211)
Saturno Investimentos Imobiliário Ltda.	Brazil	Real estate investments	99,99%	280,004	222,528	57,572	17,366
Raízen Conveniências Ltda.	Brazil	Convenience Stores	99,99%	69,886	97,550	31,912	31,214
Subtotal				<u>1,319,613</u>	<u>1,259,632</u>	<u>201,411</u>	<u>200,860</u>
Advance for business acquisition (Note 1.1) (1)				<u>341,010</u>	-	-	-
<u>Appreciation of assets, net assigned</u>							
Raízen Mime Combustíveis S.A.				<u>11,939</u>	<u>13,273</u>	<u>(1,335)</u>	<u>(1,376)</u>
Subtotal				<u>11,939</u>	<u>13,273</u>	<u>(1,335)</u>	<u>(1,376)</u>
Total investments				<u>1,857,966</u>	<u>1,272,905</u>	<u>200,076</u>	<u>199,484</u>
			<b>Parent company</b>	<u>1,857,966</u>	<u>1,272,905</u>	<u>200,076</u>	<u>199,484</u>
			<b>Consolidated</b>	<u>341,010</u>	<u>-</u>	<u>-</u>	<u>-</u>

(1) DS Business from Shell Argentina.

### (i) Movement in investments:

March 31, 2018	<u>1,272,905</u>
Initial adoption of IFRS 9 (CPC 48) (Note 2.3)	<u>(468)</u>
April 1, 2018	<u>1,272,437</u>
Equity accounting results	200,076
Additions to investment (1)	185,404
Advance for business acquisition of DS (Note 1.1)	341,010
Dividends received	<u>(140,961)</u>
Balance at September 30, 2018	<u><u>1,857,966</u></u>

(1) Capital increase at RAHSA was decided and approved on September 28, 2018.

# RAÍZEN COMBUSTÍVEIS S.A.

## Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

### 10. Property, plant and equipment

	Parent company							
	Lands and rural properties	Buildings and improvements	Machinery, equipment and facilities	Aircrafts, crafts and Vehicles	Furniture, fixtures and IT equipment	Constructions in progress	Other	Total
Cost:								
March 31, 2018	411,422	360,809	1,165,547	114,610	36,239	187,245	17,049	2,292,921
Additions	-	-	-	-	-	48,423	-	48,423
Write-offs	(2,972)	(1,141)	(14,843)	(829)	(445)	-	-	(20,230)
Formation of estimated loss, net (Note 20)	-	(194)	(1,400)	(3)	(1,088)	-	-	(2,685)
Transfers (1)	(2,901)	14,256	39,900	3,318	1,629	(57,562)	-	(1,360)
September 30, 2018	405,549	373,730	1,189,204	117,096	36,335	178,106	17,049	2,317,069
Accumulated depreciation:								
March 31, 2018	-	(49,304)	(599,746)	(66,096)	(25,030)	-	(7,636)	(747,812)
Depreciation in the period	-	(4,460)	(36,920)	(5,053)	(2,423)	-	-	(48,856)
Write-offs	-	618	12,541	723	155	-	-	14,037
September 30, 2018	-	(53,146)	(624,125)	(70,426)	(27,298)	-	(7,636)	(782,631)
Net residual value:								
September 30, 2018	405,549	320,584	565,079	46,670	9,037	178,106	9,413	1,534,438
March 31, 2018	411,422	311,505	565,801	48,514	11,209	187,245	9,413	1,545,109

(1) The net transfers, in the amount of R\$ 1,360, are related to: (i) transfer to cost of software, under the heading of Intangible assets, in the amount of R\$ 1,660; and, (ii) amounts transferred from Trade accounts receivable and Other receivables, totaling R\$ 298.



# RAÍZEN COMBUSTÍVEIS S.A.

## Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

	<b>Consolidated</b>							
	<b>Lands and rural properties</b>	<b>Buildings and improvements</b>	<b>Machinery, equipment and facilities</b>	<b>Aircrafts, crafts and Vehicles</b>	<b>Furniture, fixtures and IT equipment</b>	<b>Constructions in progress</b>	<b>Other</b>	<b>Total</b>
Cost:								
March 31, 2018	557,835	434,291	1,444,365	114,969	54,651	226,739	12,157	2,845,007
Additions	-	-	-	-	-	77,026	-	77,026
Write-offs	(17,650)	(3,697)	(25,268)	(829)	(1,386)	-	-	(48,830)
Formation of estimated loss, net (Note 20)	-	(193)	(1,648)	(3)	(1,076)	-	-	(2,920)
Transfers (1)	(2,901)	16,699	51,882	3,318	1,831	(72,189)	-	(1,360)
September 30, 2018	<u>537,284</u>	<u>447,100</u>	<u>1,469,331</u>	<u>117,455</u>	<u>54,020</u>	<u>231,576</u>	<u>12,157</u>	<u>2,868,923</u>
Accumulated depreciation:								
March 31, 2018	-	(74,639)	(789,577)	(66,013)	(37,152)	-	(5,232)	(972,613)
Depreciation in the period	-	(5,370)	(42,431)	(2,422)	(2,609)	-	(2,638)	(55,470)
Write-offs	-	1,727	20,565	723	730	-	-	23,745
September 30, 2018	<u>-</u>	<u>(78,282)</u>	<u>(811,443)</u>	<u>(67,712)</u>	<u>(39,031)</u>	<u>-</u>	<u>(7,870)</u>	<u>(1,004,338)</u>
Net residual value:								
September 30, 2018	537,284	368,818	657,888	49,743	14,989	231,576	4,287	1,864,585
March 31, 2018	557,835	359,652	654,788	48,956	17,499	226,739	6,925	1,872,394

(1) The net transfers, in the amount of R\$ 1,360, are related to: (i) transfer to cost of software, under the heading of Intangible assets, in the amount of R\$ 1,660; and, (ii) amounts transferred from Trade accounts receivable and Other receivables, totaling R\$ 298.

## **RAÍZEN COMBUSTÍVEIS S.A.**

### **Notes from management to the interim financial information as of September 30, 2018**

**In thousands of reais - R\$, unless otherwise indicated**

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#### **Constructions in progress**

The amount of constructions in progress refer mainly to:

(i) projects for new land-based terminals infrastructures and expansion, modernization and improvement of existing terminals; (ii) investment in Shell's gas stations such as replacement of fuel pumps, environmental suitability, image revitalization, remodeling and revitalization of the convenience store, purchase and installation of furniture and equipment for the convenience of gas stations; (iii) investments in large customers (B2B), as acquisition and installation of equipment, installation of filling stations in these large consumers (iv) expansion, modernization and improvement in airports, such as acquisition of fuel vehicle, expansion of hydrant networks and supply points .

During the six-month period ended September 30, 2018, several projects were completed, such as: improvement and expansion of terminals and airports, investments in Shell and large customers (B2B), totaling R \$ 231,576.

#### **Borrowing cost capitalization**

In the six-month period ended September 30, 2018, capitalized loan costs, Parent Company and Consolidated statements, totaled R\$ 828 (R\$ 1,888 on September 30, 2017). On September 30, 2018, the annual weighted average rate of debt financial charges, Parent Company and Consolidated is 8.99% (8.44% as of September 30, 2017).

# RAÍZEN COMBUSTÍVEIS S.A.

## Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

### 11. Intangible assets

	Parent company					Total
	Software license	Goodwill	Brands	Contractual relationships with clients	Exclusive supply rights	
Cost or evaluation:						
March 31, 2018	244,475	439,585	532,078	301,317	3,203,334	4,720,789
Initial adoption of IFRS 15 (CPC 47) (Note 2.3)	-	-	-	(301,317)	(3,203,334)	(3,504,651)
April 1, 2018	244,475	439,585	532,078	-	-	1,216,138
Additions	13,048	-	-	-	-	13,048
Transfers (1)	1,660	-	-	-	-	1,660
September 30, 2018	259,183	439,585	532,078	-	-	1,230,846
Amortization:						
March 31, 2018	(176,210)	-	(370,191)	(80,789)	(1,526,959)	(2,154,149)
Initial adoption of IFRS 15 (CPC 47) (Note 2.3)	-	-	-	80,789	1,526,959	1,607,748
April 1, 2018	(176,210)	-	(370,191)	-	-	(546,401)
Amortization in the period	(7,944)	-	(26,253)	-	-	(34,197)
September 30, 2018	(184,154)	-	(396,444)	-	-	(580,598)
Net residual value:						
September 30, 2018	75,029	439,585	135,634	-	-	650,248
March 31, 2018	68,265	439,585	161,887	220,528	1,676,375	2,566,640

(1) These are related to amounts transferred from Property, plant and equipment.

	Consolidated					Total
	Software license	Goodwill	Brands	Contractual relationships with clients	Exclusive supply rights	
Cost or evaluation:						
March 31, 2018	247,807	439,585	532,348	362,834	3,727,500	5,310,074
Initial adoption of IFRS 15 (CPC 47) (Note 2.3)	-	-	-	(362,834)	(3,727,500)	(4,090,334)
April 1, 2018	247,807	439,585	532,348	-	-	1,219,740
Additions	14,094	-	-	-	-	14,094
Transfers (1)	1,660	-	-	-	-	1,660
September 30, 2018	263,561	439,585	532,348	-	-	1,235,494
Amortization:						
March 31, 2018	(176,007)	-	(370,451)	(113,632)	(1,770,924)	(2,431,014)
Initial adoption of IFRS 15 (CPC 47) (Note 2.3)	-	-	-	113,632	1,770,924	1,884,556
April 1, 2018	(176,007)	-	(370,451)	-	-	(546,458)
Amortization in the period	(8,062)	-	(26,252)	-	-	(34,314)
September 30, 2018	(184,069)	-	(396,703)	-	-	(580,772)
Net residual value:						
September 30, 2018	79,492	439,585	135,645	-	-	654,722
March 31, 2018	71,800	439,585	161,897	249,202	1,956,576	2,879,060

(1) These are related to amounts transferred from Property, plant and equipment.

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

## 12. Suppliers

	Parent company		Consolidated	
	09/30/2018	03/31/2018	09/30/2018	03/31/2018
Suppliers of ethanol	369,439	238,224	400,734	274,430
Oil by-product suppliers	466,963	371,886	639,092	702,836
Suppliers of materials and services	90,256	83,596	115,198	104,699
Suppliers - Agreements	141,532	313,141	141,532	659,734
	<u>1,068,190</u>	<u>1,006,847</u>	<u>1,296,556</u>	<u>1,741,699</u>
Domestic (domestic currency)	1,065,099	1,004,568	1,293,465	1,082,404
Abroad (foreign currency) (Note 22.d)	3,091	2,279	3,091	659,295
	<u>1,068,190</u>	<u>1,006,847</u>	<u>1,296,556</u>	<u>1,741,699</u>

The characteristics of the suppliers are the same as those disclosed in the annual financial statements of March 31, 2018 (Note 11), and there were no increases in the recognition, measurement and accounting procedures, as well as significant changes in the credit risk of the counterparties involved in balances.

## 13. Loans and financing

Description	Final maturity	Index	Annual effective average interest rate (1)		Parent company and consolidated	
			09/30/2018	03/31/2018	09/30/2018	03/31/2018
Classification of debts per currency:						
Denominated in Reais					725,015	756,837
Denominated in US Dollar - US\$ (Note 22.d)					<u>3,860,221</u>	<u>1,997,729</u>
					<u>4,585,236</u>	<u>2,754,566</u>
Type of debts (2):						
BNDES	Dec 2021	URTJLP	8.5%	8.7%	7,094	35,541
BNDES	Dec 2020	Pre-fixed	6.0%	6.0%	224	274
BNDES	Jul 2021	UMBND	6.5%	6.5%	2,096	2,076
Certificate of Agribusiness Receivables (CRA)	Dec 2023	CDI	6.2%	6.2%	510,416	510,137
CRA	Dec 2024	IPCA	9.3%	8.5%	205,185	208,809
PPE	Sep 2024	Dollar (US\$) + Libor	3.7%	3.5%	3,860,221	1,997,729
					<u>4,585,236</u>	<u>2,754,566</u>
Expenses incurred with the placement of the securities:						
BNDES					(167)	(198)
PPE					-	(4,570)
CRA					-	(12,127)
					<u>(167)</u>	<u>(16,895)</u>
					<u>4,585,069</u>	<u>2,737,671</u>
Current					<u>(28,597)</u>	<u>(27,994)</u>
Non-current					<u>4,556,472</u>	<u>2,709,677</u>

(1) The annual effective interest rate is the contract rate plus, Libor (*London InterBank Offered Rate*), URTJLP, UMBND-M, UMBND, IPCA and CDI, where applicable.

(2) Loans and financing with BNDES are secured when applicable, by assets, fixed assets and/or RESA's aval.

## **RAÍZEN COMBUSTÍVEIS S.A.**

### **Notes from management to the interim financial information as of September 30, 2018**

**In thousands of reais - R\$, unless otherwise indicated**

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As of September 30, 2018, installments falling due in the long term, less the amortizations of expenses incurred with the placement of securities, Parent Company and Consolidated, have the following schedule:

Months:	<u>09/30/2018</u>
13-24	803,511
25-36	201,068
37-48	200,209
49-60	1,902,854
61-72	1,251,375
73-84	197,455
	<u>4,556,472</u>

### **PPEs**

In September 2018, RCSA contracted two new loans, net of funding expenses in the amounts of R\$ 207,010 and R\$ 1,201,170, equivalent to US\$ 50,000 thousand and US\$ 300,000 thousand, respectively. Export prepayments - PPEs bear quarterly Libor interest plus annual interest of 1.15%, resulting in effective average interest rate of 3.47% and 3.54% p.a., and with final maturity on August 30, 2023 and September 30, 2024.

### **Covenants**

The Company and its subsidiaries are not subject to comply with financial ratios, being subject only to certain covenants in loans and financing contracts, such as “cross-default” and “negative pledge”, which are being fully complied with by the Company.

### **Fair value**

As of September 30, 2018, export prepayment and CRA contracts, indexed by IPCA, are increased by R\$ 36,596 (decreased by R\$ 513 as of March 31, 2018), resulting from fair value appraisal, totaling R\$ 4,065,406 (R\$ 995,079 as of March 31, 2018) whose negative impact on income (loss) for six-month period then ended was R\$ 37,109 (negative impact totaling R\$ 13,053 as of September 30, 2017) recorded in the financial income (loss).

Other loans and financing do not have a value quoted and their fair value is close to the book value due to their exposure to variable interest rates and insignificant changes in the Company's credit risk.

### **Other significant information**

#### ***Backstop Facility Agreement***

As disclosed in Note 15 to the annual financial statements of March 31, 2018, RCSA contracted a credit line with a syndicate composed of several global commercial banks for a total amount of US \$ 850,000 thousand. The tranche of US \$ 250,000 thousand was canceled on August 23, 2018 and US \$ 300,000 thousand was withdrawn on September 28, 2018. The remaining amount of US \$ 300,000 thousand is still available for withdrawal.

# RAÍZEN COMBUSTÍVEIS S.A.

## Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

### 14. Income and social contribution taxes

#### (a) Reconciliation of income tax (IRPJ) and social contribution (CSLL) expense:

	<u>Parent company</u>			
	<u>Jul-Sep/18</u>	<u>Apr-Sep/18</u>	<u>Jul-Sep/17</u>	<u>Apr-Sep/17</u>
<b>Income before income and social contribution taxes</b>	435,319	750,865	603,801	1,056,960
Income tax and social contribution at nominal rate (34%)	(148,008)	(255,294)	(205,292)	(359,366)
<b>Adjustments for calculation of effective rate:</b>				
JCP	16,320	32,640	5,780	22,780
Equity accounting results	40,920	68,026	40,821	67,825
Difference between deemed income and taxable income rates	-	-	-	-
Gifts, donations, class association	(372)	(1,791)	(763)	(1,546)
Other	1,038	1,111	671	1,054
<b>Income and social contribution tax expense</b>	<u>(90,102)</u>	<u>(155,308)</u>	<u>(158,783)</u>	<u>(269,253)</u>
Effective rate	20.7%	20.7%	26.3%	25.5%
	<u>Consolidated</u>			
	<u>Jul-Sep/18</u>	<u>Apr-Sep/18</u>	<u>Jul-Sep/17</u>	<u>Apr-Sep/17</u>
<b>Income before income and social contribution taxes</b>	441,946	784,526	684,203	1,191,842
Income tax and social contribution at nominal rate (34%)	(150,262)	(266,739)	(232,629)	(405,226)
<b>Adjustments for calculation of effective rate:</b>				
JCP	16,320	32,640	5,780	22,780
Equity accounting results	-	-	-	-
Difference between deemed income and taxable income rates	7,562	23,041	4,507	10,355
Gifts, donations, class association	(452)	(3,041)	(825)	(1,818)
ANP diesel subsidy	41,645	41,645	-	-
Other	971	1,183	799	1,176
<b>Income and social contribution tax expense</b>	<u>(84,216)</u>	<u>(171,271)</u>	<u>(222,368)</u>	<u>(372,733)</u>
Effective rate	19.1%	21.8%	32.5%	31.3%

(i) Refers to the subsidy for the commercialization of diesel oil to the National Agency for Petroleum (ANP), Natural Gas and Biofuels, - ANP, in the form of cost equalization of fuels and importers of diesel oil, Under the terms of Decrees No. 9,454 / 2018, 9,403 / 2018 and 9,392 / 2018 and of Provisional Measures no. 847/2018 and 838/2018, converted into Law 13,723 of October 4, 2018.

## RAÍZEN COMBUSTÍVEIS S.A.

Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

**(b) Recoverable income and social contribution taxes (current):**

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>09/30/2018</u>	<u>03/31/2018</u>	<u>09/30/2018</u>	<u>03/31/2018</u>
IRPJ	183,940	182,024	270,996	227,156
CSLL	92,335	46,103	140,229	75,826
	<u>276,275</u>	<u>228,127</u>	<u>411,225</u>	<u>302,982</u>

**(c) Income and social contribution taxes payable (Current):**

	<u>Consolidated</u>	
	<u>09/30/2018</u>	<u>03/31/2018</u>
IRPJ	3,885	5,178
CSLL	1,447	1,905
	<u>5,332</u>	<u>7,083</u>

# RAÍZEN COMBUSTÍVEIS S.A.

## Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

### (d) Deferred income and social contribution taxes in assets and liabilities:

Assets (liabilities)	Parent company					Consolidated				
	Base	IRPJ 25%	CSLL 9%	09/30/2018	03/31/2018	Base	IRPJ 25%	CSLL 9%	09/30/2018	03/31/2018
				Total	Total				Total	Total
Tax losses	-	-	-	-	-	71,636	17,909	-	17,909	-
Negative basis for social contribution	-	-	-	-	-	71,633	-	6,447	6,447	-
Temporary differences:										
Exclusive supply rights	-	-	-	-	254,634	-	-	-	-	297,914
Result unrealized with derivatives	-	-	-	-	33,146	-	-	-	-	31,401
Fair value of financial liabilities	48,885	12,221	4,400	16,621	193	48,885	12,221	4,400	16,621	193
Remuneration and employee benefits	41,991	10,498	3,779	14,277	33,415	43,226	10,807	3,890	14,697	34,704
Exchange-rate change	414,018	103,504	37,262	140,766	-	414,006	103,501	37,261	140,762	-
Provisions and other temporary differences	442,686	110,671	39,842	150,513	160,644	551,894	137,974	49,670	187,644	201,116
<b>Total deferred tax assets</b>		<b>236,894</b>	<b>85,283</b>	<b>322,177</b>	<b>482,032</b>		<b>282,412</b>	<b>101,668</b>	<b>384,080</b>	<b>565,328</b>
Amortized tax goodwill	(922,003)	(230,501)	(82,980)	(313,481)	(309,789)	(922,003)	(230,501)	(82,980)	(313,481)	(309,789)
Exchange-rate change	-	-	-	-	(157,963)	-	-	-	-	(151,843)
Fair value of assets from contracts with clients	-	-	-	-	(74,978)	-	-	-	-	(84,774)
Fair value of inventories	(13,868)	(3,467)	(1,248)	(4,715)	(5,721)	(13,868)	(3,467)	(1,248)	(4,715)	(5,721)
Fair value of fixed assets	(197,826)	(49,457)	(17,804)	(67,261)	(69,376)	(218,394)	(54,599)	(19,655)	(74,254)	(76,830)
Refund of ICMS	(173,909)	(43,477)	(15,652)	(59,129)	(61,991)	(194,621)	(48,655)	(17,516)	(66,171)	(69,348)
Review of the useful life of property, plant and equipment	(57,885)	(14,471)	(5,210)	(19,681)	(14,770)	(63,303)	(15,826)	(5,697)	(21,523)	(16,067)
Cost of capitalized loans	(42,204)	(10,551)	(3,799)	(14,350)	(16,431)	(42,206)	(10,551)	(3,799)	(14,350)	(16,431)
Result unrealized with derivatives	(627,763)	(156,940)	(56,499)	(213,439)	-	(612,853)	(153,213)	(55,157)	(208,370)	-
Assets from contracts with clients	(213,950)	(53,487)	(19,256)	(72,743)	-	(239,835)	(59,959)	(21,585)	(81,544)	-
<b>Total deferred tax liabilities</b>		<b>(562,351)</b>	<b>(202,448)</b>	<b>(764,799)</b>	<b>(711,019)</b>		<b>(576,771)</b>	<b>(207,637)</b>	<b>(784,408)</b>	<b>(730,803)</b>
<b>Total deferred taxes</b>		<b>(325,457)</b>	<b>(117,165)</b>	<b>(442,622)</b>	<b>(228,987)</b>		<b>(294,359)</b>	<b>(105,969)</b>	<b>(400,328)</b>	<b>(165,475)</b>
Deferred taxes - Assets, net				-	-				58,244	68,928
Deferred taxes - Liabilities, net				(442,622)	(228,987)				(458,572)	(234,403)
<b>Total deferred taxes</b>				<b>(442,622)</b>	<b>(228,987)</b>				<b>(400,328)</b>	<b>(165,475)</b>



## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

#### Net movement in deferred tax liabilities:

	<u>Parent company</u>	<u>Consolidated</u>
Balance at March 31, 2018	(228,987)	(165,475)
Adoption of IFRS 9 (CPC 48) (Note 2.3)	1,034	1,117
Balance at April 1, 2018	(227,953)	(164,358)
Debit in income (loss)	(201,849)	(223,150)
Deferred taxes on other comprehensive income	<u>(12,820)</u>	<u>(12,820)</u>
Balance at September 30, 2018	<u>(442,622)</u>	<u>(400,328)</u>

## 15. Provision for legal disputes and judicial deposits

#### Breakdown of legal disputes considered as probable loss

In the Company's formation process, the parties agreed that Shell should reimburse the Company for the amount of the lawsuits filed with the Company prior to its formation. As of September 30 and March 31, 2018, balance of said claims to be reimbursed and claims that are not reimbursable are as follow:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>09/30/2018</u>	<u>03/31/2018</u>	<u>09/30/2018</u>	<u>03/31/2018</u>
Tax	738,520	696,164	743,317	700,907
Civil	118,488	138,954	120,629	141,083
Labor	30,794	29,343	33,223	31,033
Environmental	47,483	46,144	47,561	46,640
	<u>935,285</u>	<u>910,605</u>	<u>944,730</u>	<u>919,663</u>
Non-reimbursable legal disputes	36,509	35,245	41,107	39,176
Reimbursable legal disputes	<u>898,776</u>	<u>875,360</u>	<u>903,623</u>	<u>880,487</u>
	<u>935,285</u>	<u>910,605</u>	<u>944,730</u>	<u>919,663</u>

The arrangements made for Company's setup also established that the Company should refund Shell regarding the judicial deposits made before Raizen's setup. As of September 30 and March 31, 2018, balances of refundable deposits and deposits that are not refundable are as follow:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>09/30/2018</u>	<u>03/31/2018</u>	<u>09/30/2018</u>	<u>03/31/2018</u>
Tax	26,885	26,358	27,797	26,814
Civil	13,005	16,033	26,970	20,326
Labor	11,547	9,660	12,124	10,173
	<u>51,437</u>	<u>52,051</u>	<u>66,891</u>	<u>57,313</u>
Own judicial deposits	32,494	29,157	43,742	30,338
Reimbursable judicial deposits	<u>18,943</u>	<u>22,894</u>	<u>23,149</u>	<u>26,975</u>
	<u>51,437</u>	<u>52,051</u>	<u>66,891</u>	<u>57,313</u>

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

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#### (ii) Non-reimbursable legal disputes

	Parent company				
	Tax	Civil	Labor	Environmental	Total
March 31, 2018	18,915	1,495	12,795	2,040	35,245
Provision in the period (a)	1,141	-	2,394	100	3,635
Write-offs/reversals (a)	(57)	(245)	(1,901)	(307)	(2,510)
Payments	(399)	-	(388)	(88)	(875)
Inflation adjustment (b)	47	67	900	-	1,014
September 30, 2018	19,647	1,317	13,800	1,745	36,509
	Consolidated				
	Tax	Civil	Labor	Environmental	Total
March 31, 2018	20,721	2,047	14,263	2,145	39,176
Provision in the period (a)	1,160	-	3,357	100	4,617
Write-offs/reversals (a)	(69)	(297)	(2,286)	(307)	(2,959)
Payments	(398)	-	(388)	(172)	(958)
Inflation adjustment (b)	73	105	1,053	-	1,231
September 30, 2018	21,487	1,855	15,999	1,766	41,107

(a) Recognized in income (loss) for the period under "Sales taxes and General and administrative expenses" captions, except for reversals of inflation adjustment, recognized in financial income (loss).

(b) Recognized in the income (loss) for the period as financial income.

#### (iii) Reimbursable legal disputes (1)

	Parent company				
	Tax	Civil	Labor	Environmental	Total
March 31, 2018	677,249	137,459	16,548	44,104	875,360
Provision in the year	17,545	1,638	634	19,391	39,208
Write-offs/reversals	(2,199)	(17,427)	(322)	(14,675)	(34,623)
Payments	(68)	(17,511)	(525)	(3,082)	(21,186)
Monetary restatement	26,346	13,012	659	-	40,017
September 30, 2018	718,873	117,171	16,994	45,738	898,776
	Consolidated				
	Tax	Civil	Labor	Environmental	Total
March 31, 2018	680,186	139,035	16,770	44,496	880,487
Provision in the year	17,545	1,638	634	19,391	39,208
Write-offs/reversals	(2,202)	(17,457)	(322)	(14,675)	(34,656)
Payments	(68)	(17,511)	(525)	(3,417)	(21,521)
Monetary restatement	26,369	13,069	667	-	40,105
September 30, 2018	721,830	118,774	17,224	45,795	903,623

(1) The movement does not have and will never have effect on profit or loss, due to Company's right to reimbursement.

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

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#### (iv) Total legal disputes

	Parent company				
	Tax	Civil	Labor	Environmental	Total
March 31, 2018	696,164	138,954	29,343	46,144	910,605
Provision in the year	18,686	1,638	3,028	19,491	42,843
Write-offs/reversals	(2,256)	(17,672)	(2,223)	(14,982)	(37,133)
Payments	(467)	(17,511)	(913)	(3,170)	(22,061)
Monetary restatement	26,393	13,079	1,559	-	41,031
September 30, 2018	738,520	118,488	30,794	47,483	935,285
	Consolidated				
	Tax	Civil	Labor	Environmental	Total
March 31, 2018	700,907	141,082	31,033	46,641	919,663
Provision in the year	18,705	1,638	3,991	19,491	43,825
Write-offs/reversals	(2,271)	(17,754)	(2,608)	(14,982)	(37,615)
Payments	(466)	(17,511)	(913)	(3,589)	(22,479)
Monetary restatement	26,442	13,174	1,720	-	41,336
September 30, 2018	743,317	120,629	33,223	47,561	944,730

#### (a) Tax

	Parent company		Consolidated	
	09/30/2018	03/31/2018	09/30/2018	03/31/2018
Excise tax ("IPI")	82,481	81,377	82,481	81,377
Income tax and Social Contribution taxes (IRPJ and CSLL)	75,849	74,838	75,849	74,838
Lawyers' fees	53,637	52,887	58,195	57,406
Social Integration Program ("PIS") and Contribution for Social Security Funding ("COFINS")	56,862	19,338	56,862	19,338
Value-added tax on sales and services "ICMS"	465,114	463,358	465,164	463,412
Other	4,577	4,366	4,766	4,536
	738,520	696,164	743,317	700,907
Non-reimbursable legal disputes	19,647	18,915	21,487	20,721
Reimbursable legal disputes	718,873	677,249	721,830	680,186
	738,520	696,164	743,317	700,907

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

#### (b) Civil, labor and environmental

Main lawsuits are related to: (a) reparation of environmental damages caused by fuel leakages and, (b) discussions about contracts, real estate and recovery of credits, and the last two topics include contract breaches, possession of the Company's properties and recovery of amount not paid by clients.

The Company and its subsidiaries are also parties to various labor lawsuits by former employees and employees of service providers who question, among others, payment of overtime, extra for night and dangerous work, rehiring to job position, return of amounts discounted on payroll such as confederation union dues, union dues, and others.

The main environmental actions are related to environmental remediation to be carried out at gas stations, distribution hubs, airports and client distribution centers and they include the removal of contaminated material, treatment of the land, laboratory tests and post-remediation monitoring.

**These legal disputes were considered as probable loss and, thus, no provision for lawsuits demands has been recognized in the interim financial information:**

#### (a) Tax

	Parent company		Consolidated	
	09/30/2018	03/31/2018	09/30/2018	03/31/2018
ICMS	2,113,057	2,055,217	2,235,213	2,208,883
Income tax and Social Contribution taxes (IRPJ and CSLL)	1,771,048	1,751,543	1,843,616	1,823,361
PIS and COFINS	1,852,784	1,821,048	1,875,561	1,843,566
Other (1)	646,028	476,464	649,581	479,726
	<u>6,382,917</u>	<u>6,104,272</u>	<u>6,603,971</u>	<u>6,355,536</u>
Non-reimbursable legal disputes	922,459	839,586	1,013,470	935,949
Reimbursable legal disputes	5,460,458	5,264,686	5,590,501	5,419,587
	<u>6,382,917</u>	<u>6,104,272</u>	<u>6,603,971</u>	<u>6,355,536</u>

(1) Refers to the collection of ISS by the municipality of Anchieta, State of Espírito Santo, on services rendered in maritime waters (in the block of BC-10) on the understanding that the services provided therein would have been within the territory of said municipality and therefore, the ISS should have been collected from the municipality of that state.

#### (b) Civil, labor and environmental

	Parent company		Consolidated	
	09/30/2018	03/31/2018	09/30/2018	03/31/2018
Civil (i)	499,218	475,558	522,443	497,678
Labor	89,105	72,511	89,918	73,468
Environmental	4,513	4,514	25,042	24,565
	<u>592,836</u>	<u>552,583</u>	<u>637,403</u>	<u>595,711</u>
Non-reimbursable legal disputes	76,706	68,823	103,563	95,095
Reimbursable legal disputes	516,130	483,760	533,840	500,616
	<u>592,836</u>	<u>552,583</u>	<u>637,403</u>	<u>595,711</u>

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

#### 16. Commitments (Consolidated)

As mentioned in Note 15 to the annual financial statements of March 31, 2018 the Company had entered into commitments to sell diesel and purchase of fuels, as well as storage and transportation service agreements. During the six-month period ended September 30, 2018 no significant changes in those commitments occurred.

#### 17. Equity

##### (a) Capital and capital reserves

As of September 30 and March 31, 2018, the Company's capital, fully subscribed and paid is R\$1,921,843, and is represented as follows:

	<u>Shareholders (shares in units)</u>		
	Shell	Cosan Investimentos e Participações S.A. ("CIP") (1)	Total
Common	830,709,236	830,709,236	1,661,418,472
Class-A preferred shares	1	-	1
Class-D preferred shares	100,000	-	100,000
Class-E preferred shares	163,329,417	-	163,329,417
Total as of September 30 and March 31, 2018	994,138,654	830,709,236	1,824,847,890

(1) In June 2014, Cosan S.A. contributed with all common shares issued by RCSA to CIP.

##### (b) Movement in dividends and interest on own capital

<u>Company</u>	<u>Dividend</u>	<u>Year</u>	<u>Approval</u>	<u>Nature and type of share</u>	<u>Impact in equity</u>	<u>No impact in equity</u>	<u>Amount paid or payable</u>	<u>Payment date</u>
RCSA	Profit	2018	06/20/2018	Common	153,000	-	153,000	06/28/2018
RCSA	Interim	2019	06/20/2018	Common	107,000	-	107,000	06/28/2018
RCSA	JCP	2019	06/20/2018	Common	48,000	-	48,000	06/28/2018
Sabbá	Interim	2019	06/18/2018	Common	7,500	-	7,500	06/26/2018
MIME	Profit	2018	07/23/2018	Common	16,305	4,001	20,306	07/24/2018
Conveniências Mime	Profit	2018	08/14/2018	Common	587	5	592	08/30/2018
Conveniências Sabbá	Profit	2018	08/14/2018	Common	1,521	16	1,537	08/30/2018
RCSA	Exclusive	2018	09/21/2018	Preferred D	-	1,486	1,486	08/28/2018
RCSA	JCP	2019	09/21/2018	Common	48,000	-	48,000	09/26/2018
RCSA	Interim	2019	09/21/2018	Common	157,000	-	157,000	09/26/2018
<b>Dividends and interest on own capital paid in the period</b>							<b>544,421</b>	
<b>Impacts of dividends and interest on own capital in consolidated equity</b>					<b>538,913</b>			

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

#### (c) Equity valuation adjustments

	<u>03/31/2018</u>	<u>Comprehensive income</u>	<u>09/30/2018</u>
Actuarial loss from defined benefit plan, net	(13)	-	(13)
Income (loss) from financial instruments designated as hedge accounting	3,569	24,884	28,453
	<u>3,556</u>	<u>24,884</u>	<u>28,440</u>
Attributable to:			
Controlling shareholders	3,560	24,884	28,444
Non-controlling shareholders	(4)	-	(4)
	<u>03/31/2017</u>	<u>Comprehensive income</u>	<u>09/30/2017</u>
Actuarial loss from defined benefit plan, net	(14)	-	(14)
Income (loss) from financial instruments designated as hedge accounting	5,597	(6,470)	(873)
	<u>5,583</u>	<u>(6,470)</u>	<u>(887)</u>
Attributable to:			
Controlling shareholders	5,587	(6,470)	(883)
Non-controlling shareholders	(4)	-	(4)

#### (d) Earnings per share

##### Basic and diluted

	<u>Jul-Sep/18</u>	<u>Apr-Sep/18</u>	<u>Jul-Sep/17</u>	<u>Apr-Sep/17</u>
<b>Numerator</b>				
Net income for the period	345,217	595,557	445,018	787,707
Income available to preferred shareholders	-	-	(597)	(597)
Income available to common shareholders	345,217	595,557	444,421	787,110
<b>Denominator</b>				
Weighted average of common shares (in thousands)	1,661,418	1,661,418	1,661,418	1,661,418
<b>Basic and diluted income per common share (reais per share)</b>	<u>0.21</u>	<u>0.36</u>	<u>0.27</u>	<u>0.47</u>

The Company does not have outstanding common shares that could cause dilution or debt convertible in common shares. Thus, basic and diluted earnings per share are equivalent.

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

#### 18. Net operating revenue

The breakdown of the Company's gross income is as follows:

	<b>Parent company</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
Domestic market	18,645,613	36,163,045	16,302,133	31,227,065
Foreign market	688,158	1,244,050	383,190	756,966
Gross revenue from sale of products and services	19,333,771	37,407,095	16,685,323	31,984,031
Returns and cancellations	(78,966)	(196,830)	(89,442)	(187,360)
Sales taxes	(619,488)	(1,137,262)	(396,839)	(664,661)
Commercial discounts and rebates	(85,917)	(168,493)	(65,352)	(119,406)
Amortization of exclusive supply rights (Note 8)	(99,484)	(186,728)	(89,502)	(169,574)
Other	(15,965)	(30,492)	(13,148)	(25,275)
Net operating revenue	<u>18,433,951</u>	<u>35,687,290</u>	<u>16,031,040</u>	<u>30,817,755</u>
				<b>Consolidated</b>
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
Domestic market	21,339,842	41,289,048	18,829,490	36,354,572
Foreign market	688,158	1,244,050	383,190	756,966
Gross revenue from sale of products and services	22,028,000	42,533,098	19,212,680	37,111,538
Returns and cancellations	(85,306)	(209,873)	(93,900)	(196,890)
Sales taxes	(643,502)	(1,181,946)	(476,764)	(839,874)
Commercial discounts and rebates	(96,622)	(189,332)	(72,989)	(134,041)
Amortization of exclusive supply rights (Note 8)	(117,444)	(218,499)	(103,099)	(198,635)
Other	(15,965)	(37,596)	(13,148)	(25,278)
Net operating revenue	<u>21,069,161</u>	<u>40,695,852</u>	<u>18,452,780</u>	<u>35,716,820</u>

Detailing of net operating revenue per product is as follows:

	<b>Parent company</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
Diesel	8,476,761	16,140,493	7,057,969	13,125,792
Gasoline	6,472,380	13,184,309	6,764,277	13,464,603
Ethanol	1,835,239	3,360,153	1,194,596	2,234,640
Jet	1,501,859	2,729,160	892,244	1,744,470
Other	147,712	273,175	121,954	248,250
	<u>18,433,951</u>	<u>35,687,290</u>	<u>16,031,040</u>	<u>30,817,755</u>

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

	<b>Consolidated</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
Diesel	9,929,004	18,863,363	8,494,164	15,921,987
Gasoline	7,605,413	15,386,129	7,730,465	15,532,232
Ethanol	1,883,643	3,441,551	1,209,807	2,260,468
Jet	1,501,713	2,728,960	892,212	1,744,416
Other	149,388	275,849	126,132	257,717
	21,069,161	40,695,852	18,452,780	35,716,820

## 19. Costs and expenses per type

### Reconciliation of costs and expenses by nature

Costs and expenses are shown in the income (loss) by function. The reconciliation of results of the Company by nature for the six-month periods ended September 30, 2018 and 2017 is detailed as follows:

	<b>Parent company</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
Fuels for resales, collection and transfer costs	(17,733,346)	(34,354,248)	(15,132,934)	(29,302,604)
Personnel expenses	(115,056)	(224,939)	(108,838)	(204,967)
Depreciation and amortization	(40,982)	(83,053)	(44,669)	(89,424)
Freight	(82,664)	(163,019)	(77,381)	(151,145)
Commercial expenses	(18,646)	(74,470)	(45,281)	(86,035)
Outsourced labor	(16,790)	(44,407)	(23,462)	(42,475)
Rental and leases	(9,695)	(20,588)	(12,366)	(23,775)
Logistics expenses	(34,374)	(68,982)	(27,329)	(58,538)
Other	(30,115)	(56,227)	(36,892)	(64,229)
	(18,081,668)	(35,089,933)	(15,509,152)	(30,023,192)

  

	<b>Consolidated</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
Fuels for resales, collection and transfer costs	(20,196,966)	(39,017,521)	(17,324,670)	(33,815,894)
Personnel expenses	(128,332)	(250,227)	(122,465)	(230,622)
Depreciation and amortization	(44,250)	(89,784)	(49,574)	(98,865)
Freight	(94,909)	(187,067)	(88,544)	(173,476)
Commercial expenses	(31,423)	(90,185)	(52,533)	(100,937)
Outsourced labor	(19,447)	(50,755)	(25,941)	(47,319)
Rental and leases	(6,144)	(12,830)	(7,019)	(14,269)
Logistics expenses	(69,565)	(143,947)	(56,400)	(113,857)
Other	(42,068)	(81,105)	(47,676)	(83,616)
	(20,633,104)	(39,923,421)	(17,774,822)	(34,678,855)

### **Classified as:**

	<b>Parent company</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Apr-Sep/17</b>	<b>Apr-Sep/17</b>
Cost of products sold and services rendered	(17,733,346)	(34,354,248)	(15,132,934)	(29,302,604)
Selling expenses	(246,414)	(530,943)	(274,982)	(531,416)
General and administrative expenses	(101,908)	(204,742)	(101,236)	(189,172)
	(18,081,668)	(35,089,933)	(15,509,152)	(30,023,192)



## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

	<b>Consolidated</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Apr-Sep/17</b>	<b>Apr-Sep/17</b>
Cost of products sold and services rendered	(20,196,966)	(39,017,521)	(17,324,670)	(33,815,894)
Selling expenses	(318,859)	(673,621)	(336,317)	(646,704)
General and administrative expenses	(117,279)	(232,279)	(113,835)	(216,257)
	<u>(20,633,104)</u>	<u>(39,923,421)</u>	<u>(17,774,822)</u>	<u>(34,678,855)</u>

## 20. Other operating income, net

	<b>Parent company</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
Recognition of extemporaneous tax credits, net (1)	18,163	47,239	(54)	139,937
Income (loss) from the sale of property, plant and equipment	(512)	(3,107)	6,074	11,303
Income from rental and leases	22,461	46,450	23,723	48,444
Income from royalties	2,317	4,573	2,381	4,653
Commissions on sales of lubricants, cards and payment means	5,854	14,620	8,021	14,528
Formation of estimated loss in property, plant and equipment and intangible assets, net	(607)	(2,685)	(352)	(638)
Other income (expenses), net	(1,636)	7,353	(4,250)	(8,947)
	<u>46,040</u>	<u>114,433</u>	<u>35,543</u>	<u>209,280</u>

	<b>Consolidated</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
Recognition of extemporaneous tax credits, net (1)	30,098	67,018	5,801	162,787
Income from the sale of property, plant and equipment	11,383	44,408	7,420	29,898
Income from rental and leases	23,535	48,162	24,011	48,399
Income from royalties	15,713	31,076	13,907	27,461
Merchandising	12,642	25,982	15,053	25,355
Commissions on sales of lubricants, cards and payment means	6,699	14,548	8,664	15,950
Store rental revenue	1,852	3,712	2,117	4,656
Reversal (formation) of estimated loss in property, plant and equipment and intangible assets, net	(930)	(2,920)	(341)	165
Other expenses	(4,932)	(10,725)	(6,113)	(12,945)
	<u>96,060</u>	<u>221,261</u>	<u>70,519</u>	<u>301,726</u>

(1) Refers mainly to the recovery of tax credits arising from the Company's activities, recognized in statement of income for the period of six months ended September 30, 2018 and 2017.

# RAÍZEN COMBUSTÍVEIS S.A.

## Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

### 21. Financial results

	<b>Parent company</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
<u>Financial expenses</u>				
Interest	(73,329)	(138,037)	(49,238)	(89,902)
PIS and COFINS on financial income	(3,271)	(7,305)	(794)	(1,781)
Monetary variation - liabilities	(2,443)	(5,416)	(168)	(499)
Other	(6,743)	(40,647)	(2,554)	(5,326)
	<u>(85,786)</u>	<u>(191,405)</u>	<u>(52,754)</u>	<u>(97,508)</u>
Fair value of financial instruments (Notes 7.a.2. and 13)	(119,297)	(48,313)	(5,766)	(24,662)
Amounts capitalized on qualifying assets (Note 10)	195	828	(81)	1,888
	<u>(204,888)</u>	<u>(238,890)</u>	<u>(58,601)</u>	<u>(120,282)</u>
<u>Financial income</u>				
Interest	32,391	62,446	14,048	24,657
Yields from financial investments	5,497	11,765	1,878	4,485
Monetary variation - assets and others	77	89	145	311
	<u>37,965</u>	<u>74,300</u>	<u>16,071</u>	<u>29,453</u>
<u>Monetary variation - assets and others</u>	<u>(177,095)</u>	<u>(825,985)</u>	<u>75,242</u>	<u>(59,432)</u>
<u>Net effect of the derivatives</u>	<u>260,659</u>	<u>829,564</u>	<u>(106,403)</u>	<u>3,894</u>
	<u>(83,359)</u>	<u>(161,011)</u>	<u>(73,691)</u>	<u>(146,367)</u>
	<b>Consolidated</b>			
	<b>Jul-Sep/18</b>	<b>Apr-Sep/18</b>	<b>Jul-Sep/17</b>	<b>Apr-Sep/17</b>
<u>Financial expenses</u>				
Interest	(80,929)	(152,262)	(52,636)	(100,484)
PIS and COFINS on financial income	(3,573)	(8,014)	(1,166)	(2,600)
Monetary variation - liabilities	(2,443)	(5,417)	(170)	(500)
Other	(7,712)	(42,260)	(3,188)	(6,247)
	<u>(94,657)</u>	<u>(207,953)</u>	<u>(57,160)</u>	<u>(109,831)</u>
Fair value of financial instruments (Notes 7.a.2. and 13)	(119,297)	(48,313)	(5,766)	(24,662)
Amounts capitalized on qualifying assets (Note 10)	195	828	(81)	1,888
	<u>(213,759)</u>	<u>(255,438)</u>	<u>(63,007)</u>	<u>(132,605)</u>
<u>Financial income</u>				
Interest	44,535	86,778	23,504	40,573
Yields from financial investments	5,499	13,030	4,078	12,746
Monetary variation - assets and others	153	210	332	584
	<u>50,187</u>	<u>100,018</u>	<u>27,914</u>	<u>53,903</u>
<u>Monetary variation - assets and others</u>	<u>(188,676)</u>	<u>(955,750)</u>	<u>98,999</u>	<u>(60,128)</u>
<u>Net effect of the derivatives</u>	<u>262,077</u>	<u>902,004</u>	<u>(128,180)</u>	<u>(9,019)</u>
	<u>(90,171)</u>	<u>(209,166)</u>	<u>(64,274)</u>	<u>(147,849)</u>

## **RAÍZEN COMBUSTÍVEIS S.A.**

**Notes from management to the interim financial information as of September 30, 2018**

**In thousands of reais - R\$, unless otherwise indicated**

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### **22. Financial instruments**

#### **(a) Overview**

The Company presents exposure to the following risks deriving from its operations, which are equalized and managed with the use of certain financial instruments:

- Interest rate risk
- Price risk
- Foreign exchange rate risk
- Credit risk
- Liquidity risk

This note presents information on the Company's exposure to each one of the abovementioned risks, the Company's goals, policies and processes for the risk measurement and management, and the Company's capital management.

#### **(b) Risk management structure**

The Company has specific treasury and trading policies that set risk management guidelines.

The Company has two main committees to monitor activities and ensure policy compliance: (i) A risk committee whose members gather weekly to analyze the behavior of commodity and foreign exchange markets and decide on coverage positions and the strategy to fix the prices of imports and exports to reduce the negative effects of changes in prices and foreign exchange rate; and, (ii) an ethanol committee whose members gather monthly to assess the risks posed by the sale of ethanol and by-products to comply with the limits set on risk policies.

The Company and its subsidiaries are exposed to market risks, and main ones are: (i) fluctuations in ethanol and oil by-product prices; (ii) fluctuations in exchange rates; and, (iii) fluctuations in interest rates. The purchases of financial instruments for hedging purposes are made according to an analysis of the risk exposure that Management intends to cover.

## RAÍZEN COMBUSTÍVEIS S.A.

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As of September 30 and March 31, 2018, the fair values of transactions with derivative financial instruments for hedging and other purposes were determined according to observable data, such as prices quoted in active markets or discounted cash flows according to market curves and are presented below:

	Parent company				Consolidated			
	Notional		Fair value		Notional		Fair value	
	09/30/2018	03/31/2018	09/30/2018	03/31/2018	09/30/2018	03/31/2018	09/30/2018	03/31/2018
Price risk								
Commodity derivatives								
Futures contracts	442,025	449,161	(13,749)	(6,658)	442,025	449,161	(13,749)	(6,658)
	442,025	449,161	(13,749)	(6,658)	442,025	449,161	(13,749)	(6,658)
Foreign exchange rate risk								
Foreign exchange rate derivative								
Futures contracts	69,067	7,478	(790)	91	69,067	7,478	(790)	91
Exchange term	(2,830,065)	(2,857,655)	28,091	19,469	(4,300,697)	(3,774,274)	13,176	24,599
FX lock	400,390	498,570	(41,936)	5,825	400,390	498,570	(41,936)	5,825
FX swap	(5,653,406)	(3,566,484)	662,676	(116,151)	(5,653,406)	(3,566,484)	662,676	(116,151)
	(8,014,014)	(5,918,091)	648,041	(90,766)	(9,484,646)	(6,834,710)	633,126	(85,636)
Interest rate risk								
Interest rate swap	(204,024)	(204,024)	(3,169)	7,473	(204,024)	(204,024)	(3,169)	7,473
	(204,024)	(204,024)	(3,169)	7,473	(204,024)	(204,024)	(3,169)	7,473
Total			631,123	(89,951)			616,208	(84,821)
Current assets			54,640	41,489			68,817	55,195
Non-current assets			663,089	48,221			663,089	48,221
Total assets			717,729	89,710			731,906	103,416
Current liabilities			(83,023)	(22,761)			(112,115)	(31,337)
Non-current liabilities			(3,583)	(156,900)			(3,583)	(156,900)
Total liabilities			(86,606)	(179,661)			(115,698)	(188,237)
Total			631,123	(89,951)			616,208	(84,821)

#### (c) Price risk (Consolidated)

It results from the possibility of market oscillation of the market price of products marketed by the Company and its subsidiaries, specially diesel (heating oil), gasoline and ethanol. These price fluctuations may cause substantial alterations in the sales income and costs. To mitigate these risks, the Company permanently monitors markets, seeking to anticipate price changes. The table below shows the positions of derivative financial instruments to cover the risk of fluctuations in commodity prices, outstanding as of September 30, 2018:

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Price risk: commodity derivatives, outstanding as of September 30, 2018							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair value (R\$ thousand)
Future	Sold	NYMEX	Heating Oil / gasoline	Oct/18	208,917 m <sup>3</sup>	499,177	(14,652)
Sub-total future heating oil/gasoline sold					208,917 m <sup>3</sup>	499,177	(14,652)
Future	Purchased	NYMEX	Heating Oil / gasoline	Oct/18	(23,461) m <sup>3</sup>	(57,152)	903
Sub-total future heating oil/gasoline bought					(23,461) m <sup>3</sup>	(57,152)	903
Sub-total future heating oil/gasoline					185,456 m <sup>3</sup>	442,025	(13,749)
Net exposure of commodity derivatives as of September 30, 2018						442,025	(13,749)
Net exposure of commodity derivatives as of March 31, 2018						449,161	(6,658)

#### (d) Exchange rate risk (Consolidated)

Foreign exchange rate risks arise from the possibility of fluctuations in the exchange rates used by the Company for export income, imports, financing cash flows and other foreign currency assets and liabilities. The Company uses derivatives to manage cash flow risks resulting from these operations denominated in US dollars, net of other cash flows also denominated in foreign currency. The table below shows the positions for derivatives used to cover foreign exchange rate risks:

Foreign exchange rate risk: outstanding foreign exchange derivatives as of September 30, 2018							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair value (R\$ thousand)
Future	Sold	B3	Trade dollar	Oct/18-Nov/18	128,750	515,502	(2,001)
Subtotal future sold					128,750	515,502	(2,001)
Future	Purchased	B3	Trade dollar	Oct/18-Nov/18	(111,500)	(446,435)	1,211
Subtotal future bought					(111,500)	(446,435)	1,211
Subtotal future					17,250	69,067	(790)
FX lock	Sold	OTC	FX swap	Nov/18-Jun/19	100,000	400,390	(41,936)
Subtotal foreign exchange lock					100,000	400,390	(41,936)
Term	Sold	OTC	Non Deliverable Forward - NDF	Oct/18-Feb/19	96,900	387,978	3,789
Subtotal term sold					96,900	387,978	3,789
Term	Purchased	OTC	NDF	Oct/18-May/19	(1,171,027)	(4,688,675)	9,387
Subtotal term bought					(1,171,027)	(4,688,675)	9,387
Subtotal forward					(1,074,127)	(4,300,697)	13,176
FX swap	Purchased	OTC	FX swap	Apr/20-Jan/27	(1,411,975)	(5,653,406)	662,676

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Foreign exchange rate risk: outstanding foreign exchange derivatives as of September 30, 2018							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair value (R\$ thousand)
Subtotal exchange swap bought					(1,411,975)	(5,653,406)	662,676
Net exposure of foreign exchange derivatives as of September 30, 2018					<u>(2,368,852)</u>	<u>(9,484,646)</u>	<u>633,126</u>
Net exposure of foreign exchange derivatives as of March 31, 2018					<u>(2,056,294)</u>	<u>(6,834,710)</u>	<u>(85,636)</u>

As of September 30, 2018, the summary of the quantitative data on Company's net exposure, considering the foreign exchange rate of all currencies to US\$, is presented below:

	09/30/2018	
	R\$	US\$ (in thousands)
Cash and cash equivalents (Note 3)	211,938	52,933
Restricted cash (Note 4)	26,954	6,732
Trade accounts receivable abroad (Note 5)	2,871	717
Related parties (Note 7.a)	(3,706,372)	(925,690)
Suppliers (note 12)	(3,091)	(772)
Loans and financing (Note 13)	(3,860,221)	(964,112)
Derivative financial instruments (Note 22.d) (1)		<u>2,368,852</u>
Net foreign exchange exposure		<u>538,660</u>
Derivatives settled in the month following the closing (2)		<u>(301,895)</u>
Net foreign exchange exposure as of September 30, 2018 (3)		<u>236,765</u>
Net foreign exchange exposure as of March 31, 2018		<u>201,747</u>

(1) Refers to the notional foreign exchange derivative transactions.

(2) Maturities on July 2018, whose settlement was given by PTAX on the last closing day of the month.

(3) The net foreign exchange exposure, this will be substantially offset by probable future income from export of products and/or import costs of products.

#### (e) Hedge accounting effect

The Company formally designates its transactions subject to hedge accounting aiming at hedging cash flow. Hedges are designated against foreign exchange exposure, mainly related to debt and also related to ethanol, as applicable, documenting: (i) the hedging relationship, (ii) the Company's risk management purpose and strategy when entering into the hedging instrument, (iii) the identification of the financial instrument, (iv) the covered object or transaction, (v) the nature of the risk to be covered, (vi) the description of the hedging relationship and (vii) correlation between hedging and coverage object.

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As of September 30, 2018, the impacts calculated under the Company's equity and the estimated realization in profit or loss are shown below:

Derivatives	Market	Risk	Period for realization		
			2018/2019	09/30/2018	03/31/2018
Term	OTC / ICE	FX	43,111	43,111	5,407
			43,111	43,111	5,407
(-) Deferred taxes			(14,658)	(14,658)	(1,838)
Effect in equity			28,453	28,453	3,569

We show below the movement in the consolidated balances of other comprehensive income during the period:

#### Cash flow hedge

	09/30/2018
Balance at the beginning of the period	3,569
Movement occurred in the period:	
Fair value loss on forward exchange contracts designated as hedge accounting	59,740
Income (loss) from commodities/foreign exchange reclassified to cost of products sold and services rendered	(22,036)
Total changes occurred during the period (before deferred taxes)	37,704
Effect of deferred taxes on equity valuation adjustment (Note 14.d)	(12,820)
	24,884
Balance at end of the period	28,453

#### Fair value hedge

RCSA assigns to the fair value, the imported inventory of oil by-products with linked derivatives (forward sold) at fair value. The primary goal of risk management is to recognize inventory at a floating price, as it will be the case of RCSA's sales revenue upon selling products to its customers. Hedge accounting aims to minimize any kind of mismatching in income (loss) for the period, causing both the derivatives and the inventory to be recorded at fair value, with the change being recognized under Cost of products sold and services rendered caption, whose negative impact in six-month period ended September 30, 2018 is R\$ 2,959 (positive impact of R\$ 15,863 as of September 30, 2017).

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#### (f) **Interest rate risk (Consolidated)**

The Company monitors fluctuations in interest rates applied to certain debts, particularly those exposed to the Libor risk, and uses, when required, derivative instruments to manage those risks. The table below shows the positions for derivatives used to cover interest rate risks:

Interest rate risk: Interest derivatives, outstanding as of September 30, 2018

Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair value (R\$ thousand)
Interest rate swap	Purchased	OTC	Interest rate swap	Dec 2024	(50,956) m <sup>3</sup>	(204,024)	(3,169)
Total interest rate swap					(50,956) m <sup>3</sup>	(204,024)	(3,169)
Net exposure of interest derivatives as of September 30, 2018						(204,024)	(3,169)
Net exposure of interest derivatives as of March 31, 2018						(204,024)	7,473

#### (g) **Credit risk (Consolidated)**

A substantial part of the sales of the Company and its subsidiaries is made to a select group of highly qualified counterparties, such as fuel distribution companies and major supermarket chains.

The Group manages credit risk by following specific client acceptance standards, analyzing client credit standing and setting exposure limits per client, requiring, when applicable, letters of credit of top tier banks and taking security interest in assets as security for payment of the credit facilities granted to clients. Management considers that the credit risk is substantially covered by the estimated loss in allowance for doubtful accounts.

Individual risk limits are determined with basis on internal or external classifications in accordance with limits determined by Company's management. The use of credit limits is regularly monitored. No credit limit was exceeded during the period, and Management does not expect any loss from default by these counterparties in amounts higher than those already provided for.

The Company enters into commodity derivative agreements in futures markets at the stock exchange NYMEX, as well as in over-the-counter markets with selected counterparties. The Company enters into foreign exchange rate and commodity derivative agreements at B3 and over-the-counter agreements, mainly with the leading local and foreign banks considered by global credit risk rating agencies to have investment level ratings.

**Guarantee margins** - Derivative transactions in commodity exchanges (NYMEX and B3) require guarantee margins. The total margin of the Parent Company and Consolidated deposited as of September 30, 2018 is R\$ 50,297 (R\$ 35,392 as of March 31, 2018), of which R\$ 23,343 (R\$ 13,835 as of March 31, 2018) in restricted financial investments and R\$ 26,954 (R\$ 21,557 as of March 31, 2018) in derivative transaction margins.

The Company's over-the-counter derivative transactions do not require a guarantee margin.

The credit risk on cash and cash equivalents is mitigated by the conservative distribution of investment funds and CDBs, which make up this caption. The distribution follows strict criteria for allocation and exposure to counterparties that are major national and international banks, mainly considered investment grade by international *rating* agencies.



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#### (h) **Liquidity risk (Consolidated)**

Liquidity risk is the risk of the Company may encounter difficulties in performing the obligations associated with its financial liabilities that are settled with payments or with another financial asset. The Company's approach in liquidity management is to guarantee, as much as possible, that it always has sufficient liquidity to perform its obligations upon maturity, under normal and stress conditions, without causing unacceptable losses or with a risk of sullyng the Company's reputation.

As part of the liquidity management process, management prepares business plans and monitors their implementation, discussing positive and negative cash flow risks and assessing the availability of funds to support its operations, investments and refinancing needs.

The table below shows the main financial liabilities according to their aging schedules:

					09/30/2018	03/31/2018
	Up to 1 year	Up to 2 years	3-5 years	>5 years	Total	Total
Loans and financing (1)	29,815	873,414	2,808,528	1,871,610	5,583,367	3,382,118
Suppliers (note 12)	1,296,556	-	-	-	1,296,556	1,741,699
Derivative financial instruments (Note 22.b)	112,115	413	-	3,170	115,698	188,237
Related parties (1)	1,713,392	948,412	881,467	2,121,486	5,664,757	4,259,708
	<u>3,151,878</u>	<u>1,822,239</u>	<u>3,689,995</u>	<u>3,996,266</u>	<u>12,660,378</u>	<u>9,571,762</u>

(1) Undiscounted contractual cash flows.

#### (i) **Fair value**

Procedures over the measurement and recognition of the fair value of financial assets and liabilities are the same disclosed on annual financial statements of March 31, 2018 (Note 22.i), except for the categories of certain financial assets were reclassified as loans and receivables at amortized cost, according to IFRS 9 (CPC 48) (Note 2.3).

##### **Fair value hierarchy**

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments using the valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: other techniques for which all data that have a significant effect on fair value are observable, whether directly or indirectly; and,
- Level 3: techniques that use data that have a significant effect on fair value that are not based on observable market data.

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<u>Financial instruments valued at fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Interest earnings bank deposits (Note 3)	-	1,624,677	1,624,677
Derivative financial assets (Note 22.b)	2,115	729,791	731,906
Loans and financing (Note 13)	-	(4,065,406)	(4,065,406)
Derivative financial liabilities (Note 22.b)	(16,655)	(99,043)	(115,698)
Related parties (Note 7.a.3)	-	(3,088,678)	(3,088,678)
Total as of September 30, 2018	<u>(14,540)</u>	<u>(4,898,659)</u>	<u>(4,913,199)</u>
Total as of March 31, 2018	<u>(6,567)</u>	<u>(2,708,707)</u>	<u>(2,715,274)</u>

### (j) Liquidity risk (Consolidated)

We present below the sensitivity analysis of the fair value of financial instruments according to the types of risk considered relevant by the Company.

#### Assumptions for the sensitivity analysis

The Company has adopted three scenarios for the sensitivity analysis, one probable and two that may show the sundry effects in the fair value of the Company's financial instruments. The probable scenario was set according to the futures market curves of diesel and gas in US dollar as of September 30, 2018, and the amounts presented correspond to the fair value of derivatives on those dates. Possible and remote adverse scenarios were set considering impacts of 25% and 50% on US dollar price curves, which were calculated as a basis for the probable scenario.

#### Sensitivity table

### (1) Change in fair value of derivative financial instruments

<u>Risk factor</u>	<u>Probable scenario</u>	<u>Impacts on income (loss) (*)</u>				
		<u>Possible scenario +25%</u>	<u>Balance of fair value</u>	<u>Remote scenario +50%</u>	<u>Balance of fair value</u>	
<u>Price risk</u>						
Commodity derivatives						
Futures contracts:						
Purchase and sale commitments	Increase in diesel and gasoline prices	(13,749)	(113,944)	(127,693)	(227,888)	(241,637)
		(13,749)	(113,944)	(127,693)	(227,888)	(241,637)
<u>Foreign exchange rate risk</u>						
Foreign exchange rate derivatives						
Futures contracts:						
Purchase and sale commitments	FX decrease R\$/US\$	(790)	20,910	20,120	41,820	41,030
Fixed-term and Lock Contracts:						
Purchase and sale commitments	FX decrease R\$/US\$	(28,760)	1,527	(27,233)	3,054	(25,706)
FX swaps:						
Purchase and sale commitments	FX decrease R\$/US\$	662,676	(1,412,224)	(749,548)	(2,824,448)	(2,161,772)
		633,126	(1,389,787)	(756,661)	(2,779,574)	(2,146,448)
<u>Interest rate risk</u>						
Interest rate swap:						
Purchase and sale commitments	Decrease in interest rate	(3,169)	(42,833)	(46,002)	(85,666)	(88,835)
		(3,169)	(42,833)	(46,002)	(85,666)	(88,835)
<b>Total</b>		<u>616,208</u>	<u>(1,546,564)</u>	<u>(930,356)</u>	<u>(3,093,128)</u>	<u>(2,476,920)</u>

(\*) Result projected to occur within 12 months from September 30, 2018.

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#### (2) Net foreign exchange exposure

The probable scenario considers the position as of September 30, 2018. The effects of the possible and remote scenarios that would be recognized in the consolidated statement of income as income or expenses on change are as follows:

Net foreign exchange exposure as of September 30, 2018	Effect of exchange-rate changes				
	Possible scenario +25%	Remote scenario +50%	Possible scenario -25%	Remote scenario 50%	
Cash and cash equivalents (Note 3)	211,938	52,985	105,969	(52,985)	(105,969)
Restricted cash (Note 4)	26,954	6,739	13,477	(6,739)	(13,477)
Accounts receivable from abroad (Note 5)	2,871	718	1,436	(718)	(1,436)
Related parties (Note 7.a)	(3,706,372)	(926,593)	(1,853,186)	926,593	1,853,186
Suppliers (note 12)	(3,091)	(773)	(1,546)	773	1,546
Loans and financing (Note 13)	(3,860,221)	(965,055)	(1,930,111)	965,055	1,930,111
Impact on income (loss) in the period	(1,831,979)	(3,663,961)	1,831,979	3,663,961	

#### (3) Interest rate sensibility

As of September 30, 2018, the probable scenario considers the annual weighted average rate of floating interests of loans and financing of 4.37% and for financial investments and as restricted cash and basically, CDI accumulated in the last 12 months of 6.65%. In both cases, simulations were run considering the increase and reduction by 25% and 50%. The consolidated results of this sensitivity are as follows:

	September 30, 2018				
	Interest rate sensibility				
	Probable scenario	Possible scenario +25%	Possible scenario +50%	Remote scenario -25%	Remote scenario -50%
Interest earnings bank deposits	97,887	24,472	48,944	(24,472)	(48,944)
Restricted financial investments (Restricted cash)	2,747	687	1,373	(687)	(1,373)
Loans and financing	(165,373)	(41,343)	(82,686)	41,343	82,686
Impact on income (loss) in the period	(64,739)	(16,184)	(32,369)	16,184	32,369

#### (k) Capital management

The Company's goal, when managing its capital structure, is to ensure that it will continue as a going concern and be able to finance investment opportunities, by keeping a healthy credit profile and offering an appropriate return to its shareholders.

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Raízen Group, the group which the Company is, has relationships with large local and international rating agencies as shown below:

<u>Branch</u>	<u>Scale</u>	<u>Rating</u>	<u>Outlook</u>	<u>Date</u>
<i>Fitch</i>	National	AAA (bra)	Stable	06/16/2017
	Global	BBB	Stable	06/16/2017
<i>Moody's</i>	National	Aaa.Br	Stable	04/10/2018
	Global	Ba1	Stable	04/10/2018
<i>Standard &amp; Poor's</i>	National	brAAA	Stable	01/12/2018
	Global	BBB-	Stable	01/12/2018

The financial leverage ratios on September 30 and March 31, 2018 were calculated as follows:

	<u>09/30/2018</u>	<u>03/31/2018</u>
Third party capital		
Loans and financing (Note 13)	4,585,069	2,737,671
(-) Cash and cash equivalents (Note 3)	(1,956,006)	(1,420,336)
(-) Financial investments linked to financing (note 4)	(17,605)	(17,105)
(-) Foreign exchange and interest rate derivatives (Note 22.b)	(629,957)	78,163
	<u>1,981,501</u>	<u>1,378,393</u>
Own capital		
Equity		
Attributable to the parent company's shareholders	2,900,031	2,795,068
Interest of non-controlling shareholders	218,445	226,701
	<u>3,118,476</u>	<u>3,021,769</u>
Total own capital and third-parties	<u>5,099,977</u>	<u>4,400,162</u>
Leverage ratio	39%	31%

## 23. Retirement supplementation plan

### (a) Pension fund

#### Defined contribution

The Company sponsors the Plan Benefícios Raiz, administered by Raízprev - Private Pension Plan, which is a closed non-profit complementary Pension Plan Entity.

The Entity equipped with administrative, financial and equity autonomy, having as object the administration and implementation of benefit plans of security nature, as defined in the Regulations of Benefit Plans.

The Company has no legal or constructive obligations for further additional contributions if the plan has sufficient assets to pay all benefits or possible occurrence of a deficit.

During the six-month period ended September 30, 2018, the contribution recognized as expenses amounted to R\$ 2,931 (R\$ 2,596 as of September 30, 2017).

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### (b) Profit sharing

The Company recognizes a liability and a profit sharing expense based on a methodology that considers pre-defined targets to employees. The Company recognizes a provision when it is contractually compelled or when there is a past practice that created non-formalized obligation.

## 24. Cash flow supplementary information

### (a) Reconciliation of equity movement with cash flows from financing activities (FCF)

(Assets) / Liabilities	Parent company					Total
	Financial investments linked to financing (Note 4.2)	Other receivables (current and non-current)	Loans and financing	Related parties (1)	Dividends and interest on own capital payable	
Balance at March 31, 2018	(17,105)	(44,634)	2,737,671	2,857,134	1,486	5,534,552
Transactions with impact in FCF						
Funding of loans and financing, liquid	-	(855)	1,408,632	-	-	1,407,777
Amortization of principal	-	-	(29,283)	-	-	(29,283)
Interest paid	-	-	(58,992)	(58,845)	-	(117,837)
Payment of dividends and interest on own capital, including remuneration of preferred shares	-	-	-	-	(514,486)	(514,486)
Management of financial funds and other	-	-	-	(282,431)	-	(282,431)
	-	(855)	1,320,357	(341,276)	(514,486)	463,740
Other movements that do not affect the FCF						
Interest, monetary and exchange-variations, net	(500)	-	471,954	560,348	-	1,031,802
Change financial instruments fair value (Notes 7, 13 and 21)	-	-	37,109	11,204	-	48,313
Dividends and interest on own capital (Note 17.b)	-	-	-	-	513,000	513,000
Other	-	(6,052)	17,978	3,509	-	15,435
	(500)	(6,052)	527,041	575,061	513,000	1,608,550
Balance at September 30, 2018	(17,605)	(51,541)	4,585,069	3,090,919	-	7,606,842

(Assets) / Liabilities	Consolidated					Total
	Financial investments linked to financing (Note 4.2)	Other receivables (current and non-current)	Loans and financing	Related parties (1)	Dividends and interest on own capital payable	
Balance at March 31, 2018	(17,105)	(50,732)	2,737,671	2,766,889	6,335	5,443,058
Transactions with impact in FCF						
Funding of loans and financing, liquid	-	(855)	1,408,632	-	-	1,407,777
Amortization of principal	-	-	(29,283)	-	-	(29,283)
Interest paid	-	-	(58,992)	(58,845)	-	(117,837)
Payment of dividends and interest on own capital, including remuneration of preferred shares	-	-	-	-	(544,421)	(544,421)
Management of financial funds and other	-	-	-	186,003	-	186,003
	-	(855)	1,320,357	127,158	(544,421)	902,239
Other movements that do not affect the FCF:						
Interest, monetary and exchange-variations, net	(500)	-	471,954	566,579	-	1,038,033
Change financial instruments fair value (Notes 7, 13 and 21)	-	-	37,109	11,204	-	48,313
Dividends and interest on own capital (Note 17.b)	-	-	-	-	538,913	538,913
Other	-	(113,030)	17,978	3,508	(827)	(92,371)
	(500)	(113,030)	527,041	581,291	538,086	1,532,888
Balance at September 30, 2018	(17,605)	(164,617)	4,585,069	3,475,338	-	7,878,185

Comprised of the balances of assets under management, debentures, financial transactions and preference shares. See Note 7.a.

## RAÍZEN COMBUSTÍVEIS S.A.

### Notes from management to the interim financial information as of September 30, 2018

In thousands of reais - R\$, unless otherwise indicated

#### (b) Investment transactions not involving cash

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>Apr-Sep/18</u>	<u>Apr-Sep/17</u>	<u>Apr-Sep/18</u>	<u>Apr-Sep/17</u>
Interest capitalized in fixed assets (Notes 10 and 21)	(828)	(1,888)	(828)	(1,888)
Exclusive rights to supply fuel payable, net	-	(54,904)	-	(56,789)
Taxes on fixed assets, including adjusted present value, provision for removal of tanks, and others	1,695	3,300	2,171	3,600
	<u>867</u>	<u>(53,492)</u>	<u>1,343</u>	<u>(55,077)</u>

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