

Cosan S.A. Indústria e Comércio

Interim financial statements at
September 30, 2016

(A free translation of the original in Portuguese)

Cosan S.A. Indústria e Comércio

Interim Financial statements

For the three and nine months period ended September 30, 2016

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Review report on the interim financial statements – ITR

To the Board of Directors and Shareholders of
Cosan S.A. Indústria e Comércio
São Paulo – SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Cosan S.A. Indústria e Comércio (“The Company”), included in the Quarterly Information Form - ITR for the quarter ended September 30, 2016, which comprises the statement of financial position as of September 30, 2016 and the respective statements of profit or loss, comprehensive income (loss) for the three-month and nine-month periods then ended, and the respective statements of changes in equity and cash flows for the nine-month period then ended, including the notes.

Management is responsible for the preparation of the individual interim financial information in accordance with Technical Pronouncement CPC 21(R1) - Interim Financial Reporting and consolidated interim financial information in accordance with Technical Pronouncement CPC 21(R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in accordance with the standards issued by the Brazilian Securities and Exchange Commission - CVM, applicable to the preparation of Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Review scope

We conducted our review in accordance with the Brazilian and International standards on review engagements 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 on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21(R1) applicable to the preparation of Quarterly Information - ITR, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission - CVM.

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34, issued by the IASB applicable to the preparation of Quarterly Information - ITR, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission - CVM.

Other matters

Statement of value added

We have also reviewed the statements of value added (DVA), for the nine-month period ended September 30, 2016, prepared under the responsibility of the Company's management, whose presentation on the interim financial information is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission – CVM applicable to the preparation of Quarterly Information - ITR, and considered as supplementary information by IFRS, which do not require the presentation of DVA. These statements were subject to the same review procedures described above, and based on our review, nothing has come to our attention that causes us to believe that it is not prepared, in all material respects, in accordance with the interim financial information taken as a whole.

São Paulo, November 9, 2016

KPMG Auditores Independentes

CRC 2SP014428/O-6

Original report in Portuguese signed by

Rogério Hernandez Garcia

Contador CRC 1SP213431/O-5

Cosan S.A. Indústria e Comércio

Statement of financial position in september 30, 2016 and december 31, 2015 (In thousands of Brazilian Reais - R\$)

	Note	Parent Company		Consolidated	
		September 30, 2016	December 31, 2015 (Restated)	September 30, 2016	December 31, 2015 (Restated)
Assets					
Cash and cash equivalents	6	144,389	731,049	2,981,145	3,129,530
Marketable securities		-	-	-	97,222
Trade receivables	7	-	-	774,147	759,710
Derivative financial instruments	25	-	61,215	21,278	100,532
Inventories	8	-	-	396,908	431,117
Receivables related parties	10	56,362	53,758	47,661	86,600
Income tax receivable		58,964	23,779	113,907	95,016
Other current tax receivable	9	3,754	37,041	104,221	135,947
Dividends and interest on capital receivable		4,981	11,116	4,981	11,321
Assets held for sale	13	1,298,428	-	3,067,056	111,638
Other financial assets		72,554	-	72,554	144,208
Other current assets		27,819	33,466	65,977	62,982
Total current assets		1,667,251	951,424	7,649,835	5,165,823
Trade receivables	7	-	-	39,770	39,597
Deferred income tax and social contribution	19	-	-	327,810	335,808
Receivables from related parties	10	185,040	209,738	203,876	221,344
Other recoverable taxes	9	-	-	44,426	42,578
Judicial deposits	20	267,033	252,513	408,124	413,067
Derivative financial instruments	25	631,464	1,292,514	1,199,451	2,192,327
Other non-current assets		808,605	837,284	1,056,165	1,057,889
Investments in associates	11	10,151,530	11,262,812	157,931	140,136
Investments in joint ventures	12	2,737,515	2,821,205	8,501,602	8,237,188
Investment property	13	-	-	-	2,595,035
Property, plant and equipment	14	22,670	26,652	393,488	401,800
Intangible assets	15	7,202	6,267	9,323,827	9,447,269
Total non-current		14,811,059	16,708,985	21,656,470	25,124,038
Total Assets		16,478,310	17,660,409	29,306,305	30,289,861

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

Cosan S.A. Indústria e Comércio

Statement of financial position in september 30, 2016 and december 31, 2015 (In thousands of Brazilian Reais - R\$)

	Note	Parent Company		Consolidated	
		September 30, 2016	December 31, 2015 (Restated)	September 30, 2016	December 31, 2015 (Restated)
Liabilities					
Loans, borrowings and debentures	16	328,881	406,348	1,246,859	1,230,518
Derivative financial instruments	25	53,511	-	83,591	291
Trade payables	17	708	1,151	1,386,895	1,544,822
Employee benefits payable		15,079	17,536	95,249	106,407
Income tax payables		269	14,237	118,520	47,720
Other taxes payable	18	10,710	21,025	145,763	120,241
Dividends and interest on capital payable		20,591	23,422	21,202	41,656
Payables to related parties	10	186,238	427,752	126,260	114,559
Liabilities held for sale	13	80,172	-	235,392	-
Other financial liabilities		-	-	22,304	-
Other current liabilities		19,560	30,618	99,207	138,839
Total current liabilities		715,719	942,089	3,581,242	3,345,053
Loans, borrowings and debentures	16	-	-	7,768,618	8,525,185
Preferred shareholders payable in subsidiaries		2,023,989	2,042,878	2,023,988	2,042,878
Derivative financial instruments	25	161,262	137,006	526,516	740,427
Other taxes payable	18	20,376	25,230	20,376	25,230
Provision for legal proceedings	20	295,159	266,540	759,797	703,347
Payables to related parties	10	3,925,978	4,710,651	-	-
Post-employment benefits	26	144	126	357,966	344,334
Deferred tax liabilities	19	51,485	465,788	1,141,097	1,415,135
Other non-current liabilities		335,002	316,243	670,287	705,926
Total non-current liabilities		6,813,395	7,964,462	13,268,645	14,502,462
Total liabilities		7,529,114	8,906,551	16,849,887	17,847,515
Shareholders' equity					
Share capital	21	3,822,725	3,822,725	3,822,725	3,822,725
Treasury shares		(47,664)	(58,694)	(47,664)	(58,694)
Capital reserve		951,736	955,326	951,736	955,326
Other equity		(287,912)	(184,691)	(287,912)	(184,691)
Profit reserve		3,652,506	4,219,192	3,652,506	4,219,192
Accumulated profit		857,805	-	857,805	-
Equity attributable to:					
Owners of the Company		8,949,196	8,753,858	8,949,196	8,753,858
Non-controlling interests	11	-	-	3,507,222	3,688,488
Total shareholders' equity		8,949,196	8,753,858	12,456,418	12,442,346
Total shareholders' equity and liabilities		16,478,310	17,660,409	29,306,305	30,289,861

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

Cosan S.A. Indústria e Comércio

Statement of profit or loss and other comprehensive income
 For the three and nine months period ended September 30, 2016 and 2015
 (In thousands of Brazilian Reals – R\$, except earnings per share)

		Parent Company			
	Note	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015 (restated)	January 1, 2015 to September 30, 2015 (restated)
General and administrative expenses		(31,448)	(99,675)	(30,075)	(91,225)
Other expense, net	23	(15,604)	(69,977)	(12,588)	(126,613)
Operating expenses		(47,052)	(169,652)	(42,663)	(217,838)
Income before equity in earning and financial results		(47,052)	(169,652)	(42,663)	(217,838)
Equity in earning of associates	11	357,859	1,432,112	339,260	703,853
Equity in earnings of joint ventures	12	(21,498)	(83,690)	(27,229)	(92,217)
Equity in earning of investees		336,361	1,348,422	312,031	611,636
Finance expense		(133,306)	(541,561)	(114,404)	(350,152)
Finance income		64,525	185,102	58,608	117,656
Foreign exchange (losses) gain, net		(47,777)	853,877	(1,130,449)	(1,706,861)
Derivatives		143,879	(1,162,295)	757,549	1,209,992
Financial results	24	27,321	(664,877)	(428,696)	(729,365)
Profit (loss) before taxes		316,630	513,893	(159,328)	(335,567)
Income tax (expenses) benefits	19				
Current		-	(15,008)	-	-
Deferred		4,299	334,132	136,506	283,082
		4,299	319,124	136,506	283,082
Profit (loss) from continuing operations		320,929	833,017	(22,822)	(52,485)
Profit from discontinued operation, net of tax	13	6,583	24,788	5,629	20,109
Net profit (loss) for the period		327,512	857,805	(17,193)	(32,376)

Cosan S.A. Indústria e Comércio

Statement of profit or loss and other comprehensive income For the three and nine months period ended September 30, 2016 and 2015 (In thousands of Brazilian Reals – R\$, except earnings per share)

Other comprehensive income

Items that are or may be reclassified to profit or loss:

Foreign currency translation differences		1,464	63,987	(38,674)	(65,361)
(Loss) gain on cash flow hedge in joint ventures and subsidiary		(37,823)	(173,170)	(96,944)	(40,789)
Gain in mensuration financial instrument derivative		-	6,000	-	-
Changes in fair value of available for sale securities		309	(38)	515	1,198
		<u>(36,050)</u>	<u>(103,221)</u>	<u>(135,103)</u>	<u>(104,952)</u>
Total other comprehensive income (loss), net of tax		<u>(36,050)</u>	<u>(103,221)</u>	<u>(135,103)</u>	<u>(104,952)</u>
Total comprehensive income		<u>291,462</u>	<u>754,584</u>	<u>(152,296)</u>	<u>(137,328)</u>
Basic earnings per share from:					
Continuing operations	22	R\$0.79009	R\$2.05190	(R\$0.05623)	(R\$0.12932)
Discontinuing operations	22	R\$0.01621	R\$0.06106	R\$0.01387	R\$0.04955
		<u>R\$0.80630</u>	<u>R\$2.11296</u>	<u>(R\$0.04236)</u>	<u>(R\$0.07977)</u>
Diluted earnings per share from:					
Continuing operations	22	R\$0.77338	R\$2.00855	(R\$0.05610)	(R\$0.12906)
Discontinuing operations	22	R\$0.01589	R\$0.05994	R\$0.01384	R\$0.04945
		<u>R\$0.78927</u>	<u>R\$2.06850</u>	<u>(R\$0.04227)</u>	<u>(R\$0.07961)</u>

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

Cosan S.A. Indústria e Comércio

Statement of profit or loss and other comprehensive income
 For the three and nine months period ended September 30, 2016 and 2015
 (In thousands of Brazilian Reals – R\$, except earnings per share)

		Consolidated			
	Note	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015 (restated)	January 1, 2015 to September 30, 2015 (restated)
Net sales		1,842,759	5,765,284	2,227,352	6,236,358
Cost of sales		(1,104,735)	(3,413,123)	(1,608,628)	(4,457,060)
Gross profit		738,024	2,352,161	618,724	1,779,298
Selling expenses		(262,735)	(756,647)	(231,060)	(671,420)
General and administrative expenses		(141,080)	(417,730)	(135,763)	(405,044)
Other expense, net	23	(21,665)	(80,186)	(12,436)	(133,994)
Operating expenses		(425,480)	(1,254,563)	(379,259)	(1,210,458)
Income before equity in earning and financial results		312,544	1,097,598	239,465	568,840
Equity in earning of associates	11	6,277	(5,515)	419	(2,740)
Equity in earnings of joint ventures	12	404,245	1,098,183	24,917	252,015
Equity in earning of investees		410,522	1,092,668	25,336	249,275
Finance expense		(590,371)	(1,427,691)	(269,904)	(828,668)
Finance income		186,353	621,960	137,374	271,117
Foreign exchange losses, net		(52,518)	1,018,309	(180,793)	(641,767)
Derivatives		153,034	(1,223,214)	105,999	442,846
Financial results	24	(303,502)	(1,010,636)	(207,324)	(756,472)
Profit (loss) before taxes		419,564	1,179,630	57,477	61,643
Income tax (expenses) benefits	19				
Current		(1,349)	(143,083)	(8,513)	(112,356)
Deferred		(23,728)	67,256	(6,034)	152,725
		(25,077)	(75,827)	(14,547)	40,369
Profit (loss) from continuing operations		394,487	1,103,803	42,930	102,012
Profit from discontinued operation, net of tax	13	18,312	58,860	12,856	57,561
Net profit for the period		412,799	1,162,663	55,786	159,573

Cosan S.A. Indústria e Comércio

Statement of profit or loss and other comprehensive income For the three and nine months period ended September 30, 2016 and 2015 (In thousands of Brazilian Reais – R\$, except earnings per share)

Other comprehensive income

Items that are or may be reclassified to profit or loss:

Foreign currency translation differences		1,464	63,987	(38,674)	(65,361)
Loss on cash flow hedge in joint ventures and subsidiary		(37,823)	(173,170)	(97,338)	(40,459)
Gain in mensuration financial instrument derivative		-	6,000	-	-
Changes in fair value of available for sale securities		1,952	746	4,132	7,561
Taxes on items that may be reclassified to profit or loss		(695)	(354)	(504)	(2,901)
		<u>(35,102)</u>	<u>(102,791)</u>	<u>(132,384)</u>	<u>(101,160)</u>
Total other comprehensive income (loss), net of tax		<u>(35,102)</u>	<u>(102,791)</u>	<u>(132,384)</u>	<u>(101,160)</u>
Total comprehensive income		<u>377,697</u>	<u>1,059,872</u>	<u>(76,598)</u>	<u>58,413</u>
Total net income attributable to:					
Owners of the parent		327,512	857,805	(17,193)	(32,376)
Non-controlling interests		85,287	304,858	72,979	191,949
		<u>412,799</u>	<u>1,162,663</u>	<u>55,786</u>	<u>159,573</u>
Total comprehensive income attributable to:					
Owners of the Company		291,462	754,584	(152,296)	(137,328)
Non-controlling interests		86,235	305,288	75,698	195,741
		<u>377,697</u>	<u>1,059,872</u>	<u>(76,598)</u>	<u>58,413</u>
Basic earnings per share from:					
Continuing operations	22	R\$0.79009	R\$2.05190	(R\$0.05623)	(R\$0.12932)
Discontinuing operations	22	R\$0.01621	R\$0.06106	R\$0.01387	R\$0.04955
		<u>R\$0.80630</u>	<u>R\$2.11296</u>	<u>(R\$0.04236)</u>	<u>(R\$0.07977)</u>
Diluted earnings per share from:					
Continuing operations	22	R\$0.77338	R\$2.00855	(R\$0.05610)	(R\$0.12906)
Discontinuing operations	22	R\$0.01589	R\$0.05994	R\$0.01384	R\$0.04945
		<u>R\$0.78927</u>	<u>R\$2.06850</u>	<u>(R\$0.04227)</u>	<u>(R\$0.07961)</u>

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

Cosan S.A. Indústria e Comércio

Statements of changes in shareholder' equity

For the nine months period ended September 30, 2016 and 2015

(In thousands of Brazilian Reais - R\$)

	Common stock	Tresuary share	Other capital reserve	Others equity components	Profit reserve				accumulated earning	Total	Non-controlling interest	Total equity
					Legal	Statutory reserve	Unrealized earning	Retained rearning				
At january 01, 2016	3,822,725	(58,694)	955,326	(184,691)	284,960	2,731,745	171,021	1,123,796	-	8,846,188	3,688,488	12,534,676
Initial adoption effect in joint ventures (note 2.2)	-	-	-	-	-	-	-	(92,330)	-	(92,330)	-	(92,330)
At january 01, 2016 (Restated)	3,822,725	(58,694)	955,326	(184,691)	284,960	2,731,745	171,021	1,031,466	-	8,753,858	3,688,488	12,442,346
Net profit for the year	-	-	-	-	-	-	-	-	857,805	857,805	304,858	1,162,663
Other comprehensive income:												
Loss on cash flow hedge in joint ventures and subsidiary	-	-	-	(173,170)	-	-	-	-	-	(173,170)	-	(173,170)
Foreign currency translation differences	-	-	-	63,987	-	-	-	-	-	63,987	-	63,987
Gain in mensuration financial instrument derivative	-	-	-	6,000	-	-	-	-	-	6,000	-	6,000
Changes in fair value of available for sale securities	-	-	-	(38)	-	-	-	-	-	(38)	430	392
Total comprehensive income for the year	-	-	-	(103,221)	-	-	-	-	857,805	754,584	305,288	1,059,872
Effect of distribution of dividends to non-controlling	-	-	(11,344)	-	-	-	-	-	-	(11,344)	11,344	-
Stock Option exercised	-	11,030	4,345	-	-	-	-	-	-	15,375	-	15,375
Dividends	-	-	-	-	-	(566,686)	-	-	-	(566,686)	(475,351)	(1,042,037)
Share based compensation - Subsidiaries	-	-	6,378	-	-	-	-	-	-	6,378	-	6,378
Total contributions by and distributions to owners of the Parent	-	11,030	(621)	-	-	(566,686)	-	-	-	(556,277)	(464,007)	(1,020,284)
Transactions with shareholders												
Shareholding change in subsidiary	-	-	(2,969)	-	-	-	-	-	-	(2,969)	(22,547)	(25,516)
Total transactions with shareholders	-	-	(2,969)	-	-	-	-	-	-	(2,969)	(22,547)	(25,516)
At september 30, 2016	3,822,725	(47,664)	951,736	(287,912)	284,960	2,165,059	171,021	1,031,466	857,805	8,949,196	3,507,222	12,456,418

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

Cosan S.A. Indústria e Comércio

Statements of changes in shareholder' equity

For the nine months period ended September 30, 2016 and 2015

(In thousands of Brazilian Reais - R\$)

	Common stock	Tresuary share	Other capital reserve	Others equity components	Profit reserve				accumulated earning	Total	Non-controlling interest	Total equity
					Legal	Statutory reserve	Unrealized earning	Retained rearning				
At January 1, 2015	3,632,231	(58,694)	950,694	175,298	251,631	2,481,391	217,574	1,168,151	-	8,818,276	3,630,997	12,449,273
Initial adoption effect in joint ventures (note 2.2)	-	-	-	-	-	-	-	(11,929)	-	(11,929)	-	(11,929)
At January 1, 2015 (Restated)	3,632,231	(58,694)	950,694	175,298	251,631	2,481,391	217,574	1,156,222	-	8,806,347	3,630,997	12,437,344
Net profit for the year	-	-	-	-	-	-	-	-	(7,580)	(7,580)	191,952	184,372
Other comprehensive income:												
Loss on cash flow hedge in joint ventures and subsidiary	-	-	-	(40,789)	-	-	-	-	-	(40,789)	-	(40,789)
Foreign currency translation differences	-	-	-	(65,361)	-	-	-	-	-	(65,361)	-	(65,361)
Changes in fair value of available for sale securities	-	-	-	1,198	-	-	-	-	-	1,198	3,792	4,990
Total comprehensive income for the year	-	-	-	(104,952)	-	-	-	-	(7,580)	(112,532)	195,744	83,212
Contributions and distributions for shareholders												
Increase capital	190,494	-	-	-	-	(190,494)	-	-	-	-	-	-
Effect of distribution of dividends to non-controlling	-	-	(3,144)	-	-	-	-	-	-	(3,144)	3,144	-
Dividends	-	-	-	-	-	(34,093)	(46,553)	(194,355)	-	(275,001)	(124,655)	(399,656)
Share based compensation - Subsidiaries	-	-	8,228	-	-	-	-	-	-	8,228	-	8,228
Total contributions by and distributions to owners of the Parent	190,494	-	5,084	-	-	(224,587)	(46,553)	(194,355)	-	(269,917)	(121,511)	(391,428)
Transactions with shareholders												
Acquisition cost of the preferred shares of subsidiaries	-	-	(493)	-	-	-	-	-	-	(493)	2,430	1,937
Total transactions with shareholders	-	-	(493)	-	-	-	-	-	-	(493)	2,430	1,937
At September 30, 2015	3,822,725	(58,694)	955,285	70,346	251,631	2,256,804	171,021	961,867	(7,580)	8,423,405	3,707,660	12,131,065

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

Cosan S.A. Indústria e Comércio

Statements of cash flows

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Note	Parent Company		Consolidated	
		January 1, 2016 to September 30, 2016	January 1, 2015 to September 30, 2015 (restated)	January 1, 2016 to September 30, 2016	January 1, 2015 to September 30, 2015 (restated)
Cash flows from operating activities					
Profit (loss) before taxes		513,893	(335,567)	1,179,630	61,643
Profit before taxes discontinued operation	13	24,788	20,109	72,020	67,890
Adjustments for:					
Depreciation and amortization		3,790	2,987	452,645	420,778
Equity in earnings of associates	11	(1,456,900)	(723,962)	5,515	2,740
Equity in earnings of jointly controlled entity	12	83,690	92,217	(1,098,183)	(252,015)
Gain on disposals assets		-	-	5,856	2,762
Option shares granted		6,378	8,228	6,377	8,228
Change in fair value of investment property		-	-	(9,692)	(23,162)
Provision for judicial demands		53,234	29,747	61,250	32,301
Indexation charges, interest and exchange variation, net		697,183	750,748	1,208,116	897,302
Other		7,296	4,607	48,178	60,036
		(66,648)	(150,886)	1,931,712	1,278,503
Changes in:					
Trade receivables		-	-	(46,569)	(13,705)
Inventories		-	-	21,292	(32,571)
Recoverable taxes		(9,877)	-	109,093	(30,382)
Related parties, net		(222,183)	(174,281)	3,045	(36,733)
Trade payables		384	(1,638)	(165,261)	505,529
Employee benefits		(8,781)	(11,626)	(51,897)	(43,641)
Provision for judicial demands		(145)	(2,359)	(814)	(7,165)
Income tax and other tax		(8,190)	(11,646)	(14,157)	(32,839)
Judicial deposits		579	(730)	(673)	(138)
Post-employment benefits		-	-	(20,744)	(1,975)
Other assets and liabilities, net		19,369	17,226	(147,034)	(132,129)
		(228,844)	(185,054)	(313,719)	174,251
Net cash (used in) generated by operating activities		(295,492)	(335,940)	1,617,993	1,452,754
Cash flows from investing activities					
Acquisitions net of cash acquired		(215,099)	(43,691)	(17,238)	(34,644)
Acquisition of non-controlling interests		(54,122)	-	(54,122)	-
Dividends received from investees		1,013,076	196,339	4,333	1,150
Dividends received from jointly controlled entity		58,778	34,425	658,392	206,425
Other financial assets		(186,052)	-	(186,052)	-
Acquisition of property, plant and equipment	14 15	(788)	(2,038)	(331,706)	(452,685)
Related parties		11,338	(3,372)	11,338	8,281
Cash received on sale of fixed assets, and intangible assets		-	-	-	3,211
Net cash generated by (used in) investing activities		627,131	181,663	84,945	(268,262)

Cosan S.A. Indústria e Comércio

Statements of cash flows

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Cash flows from financing activities

Loans, borrowings and debentures raised	-	-	2,723,697	515,039
Payment of principal on loans, borrowings and debentures	-	-	(2,649,942)	(763,536)
Payment of principal and interest on loans, borrowings and debentures	(8,859)	(3,975)	(421,970)	(451,423)
Capital integralization	-	-	40,000	-
Related parties	-	(12,642)	-	(3,807)
Non-controlling interest subscription	28,764	1,937	28,764	-
Derivative financial instruments	(385,871)	105,597	(294,606)	190,847
Dividends paid	(569,517)	(272,331)	(1,243,155)	(404,230)
Proceeds from exercise of share options	17,185	-	17,185	1,944
Net cash used by financing activities	(918,299)	(181,414)	(1,800,028)	(915,166)

(Decrease) increase in cash and cash equivalents

Cash and cash equivalents at beginning of year	731,049	376,004	3,129,530	1,540,192
Effect of exchange rate fluctuations on cash held	-	-	(41,362)	55,482
Cash and cash equivalents at end of year	6 144,389	40,313	2,991,078	1,865,000

Additional information

Income tax paid	-	-	54,624	48,845
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The notes are an integral part of these interim financial statements.

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Parent Company		Consolidated	
	January 1, 2016 to September 30, 2016	January 1, 2015 to September 30, 2015 (restated)	January 1, 2016 to September 30, 2016	January 1, 2015 to September 30, 2015 (restated)
Revenue				
Sales of products and services net of returns	-	-	7,356,204	7,849,461
Other operating revenue	4,137	6,727	24,928	49,512
Allowance for doubtful accounts	-	-	(12,686)	(14,839)
	4,137	6,727	7,368,446	7,884,134
Raw materials acquired from third parties				
Cost of services rendered	-	-	(3,994,980)	(5,209,126)
Materials, energy, third party services, others	(127,373)	(168,664)	(459,282)	(481,071)
	(127,373)	(168,664)	(4,454,262)	(5,690,197)
Gross value added	(123,236)	(161,937)	2,914,184	2,193,937
	-	-	-	-
Retention				
Depreciation and amortization	(3,790)	(2,987)	(449,108)	(420,778)
	(3,790)	(2,987)	(449,108)	(420,778)
Net value added	(127,026)	(164,924)	2,465,076	1,773,159
Value added transferred in				
Equity pick-up in investees	1,432,112	703,853	(5,515)	(2,740)
Equity pick-up in jointly controlled entity	(83,690)	(92,217)	1,098,183	252,015
Financial income	1,038,978	1,327,648	1,116,335	721,849
Profit from discontinued operations	24,788	20,109	58,860	57,561
	2,412,188	1,959,393	2,267,863	1,028,685
Value added to be distributed	2,285,162	1,794,469	4,732,939	2,801,844
Distribution of value added				
Personnel	33,832	41,962	276,425	270,989
Taxes and contributions	(313,119)	(274,939)	1,147,637	821,737
Financial expenses	1,706,644	2,059,822	2,146,213	1,491,984
Non-controlling interests	-	-	270,787	191,949
Dividends	575,000	-	575,000	-
Net profit from discontinued operations	258,017	(52,485)	258,017	(32,376)
Net profit from continued operations	24,788	20,109	58,860	57,561
	2,285,162	1,794,469	4,732,939	2,801,844

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

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

1 Operations

Cosan S.A. Indústria e Comércio composed of its subsidiaries and jointly controlled entities ("Company" or "Cosan") is a publicly traded company with its shares traded on the Novo Mercado da Bolsa de Valores de São Paulo ("BM&FBOVESPA") under the ticker symbol CSAN3, and has its headquarters in the city of São Paulo, Brazil. Cosan Limited is the controlling shareholder of Cosan, in which it holds 62.41%.

The primary activities in which Cosan S.A. operates, include the following business segments: (i) Piped natural gas distribution to part of the State of São Paulo through its subsidiary Companhia de Gás de São Paulo – COMGÁS ("COMGÁS"); which is consolidated since November 2012, (ii) Purchase, sale and leasing of agricultural land through its subsidiary, Radar Propriedades Agrícolas S.A. ("Radar"); (iii) Production and distribution of lubricants under the Mobil licensed trademark in Brazil, Bolivia, Uruguay and Paraguay, in addition to the European and Asian market using the Comma brand and corporate activities; and (iv) other investments, in addition to the corporate structures of Company ("Cosan's other business").

The Company also holds interests in two jointly controlled entities ("Joint Ventures" or "JVs"): (i) Raízen Combustíveis S.A. ("Raízen Combustíveis"), fuel distribution business, and (ii) Raízen Energia S.A. ("Raízen Energia"), production and marketing of sugar, ethanol and energy cogeneration, produced from sugar cane bagasse.

On September 30, 2016 the Company disclosed a material fact stating that it has entered into a Share Purchase Agreement with Mansilla Participações Ltda. (vehicle company of the investment fund - Teachers Insurance and Annuity Association of America), also a shareholder of the companies Radar and Radar II, committing to sell part of its shares of Radar and Radar II, see note 13.

2 Basis of preparation

2.1 Statement of compliance

The consolidated interim financial statements were prepared and are presented in accordance with technical pronouncement CPC 21 - Interim Statements (CPC 21) for the Parent Company in accordance with technical pronouncement CPC 21, in accordance with the international standards IAS 34 - Interim Financial Reporting issued By the International Accounting Standards Board (IASB) for the Consolidated, and also based on the provisions contained in the Brazilian Corporate Law, and presented in a manner consistent with the standards issued by the Securities and Exchange Commission, applicable to the preparation of Quarterly Information (ITR).

These financial statements have been prepared following the basis of preparation and accounting policies consistent with those adopted in preparing the financial statements for the year ended on December 31, 2015 and should be read together, except for the initial adoption of new accounting standards and interpretations that have been given effect from January 1, 2016 disclosed in Note 2.2. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not effective.

The information notes that did not change significantly compared with the December 31, 2015 have not been fully presented in these financial statements.

All relevant information of interim financial statements set, just them, are being highlighted, and these correspond to those used by management in its management.

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

These interim financial statements were authorized for issue by the Board of Directors on November 09, 2016.

2.2 New standards, interpretations and amendments adopted by the Company - restated

Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements or the interim consolidated financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

➤ **Amendments to CPC 27 e CPC 29 Bearer Plants**

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of CPC 29 - biological assets. Instead, CPC 27 – Property, plant and equipment. After initial recognition, bearer plants will be measured under CPC 27, at accumulated cost t (before maturity) and using either the cost model. The amendments also require that produce that grows on bearer plants will remain in the scope of CPC 29 measured at fair value less costs to sell. For government grants related to bearer plants CPC 07 – Accounting for Government Grants and Disclosure of Government Assistance will apply. These changes substantially impact the controlled Raizen Energia together and have no effect for companies that have no bearing plants.

➤ **Discontinued operation**

According to the note 13 , due to the partial sale of the shares of RADAR segment and required by CPC 31 – Non current assets held for sale and discontinued operations, the Company is changing the presentation of its statement of profit and loss and other comprehensive income for the nine-month period ended September 30, 2015.

The impact of both restatements for the year ended December 31, 2015, as follow:

Cosan S.A. Indústria e Comércio

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Statements of financial position

	Parent company		
	December 31, 2015 (Published)	CPC 27 effect	December 31, 2015 (Restated)
Assets			
Current assets	951,424	-	951,424
Investments in associates	11,355,142	(92,330)	11,262,812
Other non-current assets	5,446,173	-	5,446,173
Total assets	17,752,739	(92,330)	17,660,409
Liabilities			
Current liabilities	942,089	-	942,089
Non-current liabilities	7,964,462	-	7,964,462
Total liabilities	8,906,551	-	8,906,551
Shareholders' equity			
Share capital	3,822,725	-	3,822,725
Treasury shares	(58,694)	-	(58,694)
Additional paid in capital	955,326	-	955,326
Other comprehensive loss	(184,691)	-	(184,691)
Profit reserve	4,311,522	(92,330)	4,219,192
Equity attributable to owners of the parent			
Non-controlling interests	8,846,188	(92,330)	8,753,858
	-	-	-
Total shareholders' equity	8,846,188	(92,330)	8,753,858
Total shareholders' equity and liabilities	17,752,739	(92,330)	17,660,409

Cosan S.A. Indústria e Comércio

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Consolidated		
	December 31, 2015 (Published)	CPC 27 effect	December 31, 2015 (Restated)
Assets			
Current assets	5,165,823	-	5,165,823
Investments in joint ventures	8,329,518	(92,330)	8,237,188
Other non-current assets	16,886,850	-	16,886,850
Total assets	30,382,191	(92,330)	30,289,861
Liabilities			
Current liabilities	3,345,053	-	3,345,053
Non-current liabilities	14,502,462	-	14,502,462
Total liabilities	17,847,515	-	17,847,515
Shareholders' equity			
Share capital	3,822,725	-	3,822,725
Treasury shares	(58,694)	-	(58,694)
Additional paid in capital	955,326	-	955,326
Other comprehensive loss	(184,691)	-	(184,691)
Profit reserve	4,311,522	(92,330)	4,219,192
Equity attributable to owners of the parent	8,846,188	(92,330)	8,753,858
Non-controlling interests	3,688,488	-	3,688,488
Total shareholders' equity	12,534,676	(92,330)	12,442,346
Total shareholders' equity and liabilities	30,382,191	(92,330)	30,289,861

Cosan S.A. Indústria e Comércio

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Statements of profit or loss

	Parent Company							
	July 1, 2015 to September 30, 2015 (as issued)	CPC 27 effect	Discontinued operation	July 1, 2015 to September 30, 2015 (restated)	January 1, 2015 to September 30, 2015 (as issued)	CPC 27 effect	Discontinued operation	January 1, 2015 to September 30, 2015 (restated)
Income before equity in earnings of investees and financial results	(42,663)	-	-	(42,663)	(217,838)	-	-	(217,838)
Equity in earnings of associates	348,739	(3,850)	(5,629)	339,260	748,759	(24,797)	(20,109)	703,853
Equity in earnings of joint ventures	(27,229)	-	-	(27,229)	(92,217)	-	-	(92,217)
Equity in earning of investees	321,510	(3,850)	(5,629)	312,031	656,542	(24,797)	(20,109)	611,636
Financial results	(428,696)	-	-	(428,696)	(729,365)	-	-	(729,365)
Loss before taxes	(149,849)	(3,850)	(5,629)	(159,328)	(290,661)	(24,797)	(20,109)	(335,567)
Income tax expense	136,506	-	-	136,506	283,082	-	-	283,082
Loss from continuing operations	(13,343)	(3,850)	(5,629)	(22,822)	(7,579)	(24,797)	(20,109)	(52,485)

Cosan S.A. Indústria e Comércio

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Consolidated							
	July 1, 2015 to September 30, 2015 (as issued)	CPC 27 effect	Discontinued operation	July 1, 2015 to September 30, 2015 (restated)	January 1, 2015 to September 30, 2015 (as issued)	CPC 27 effect	Discontinued operation	January 1, 2015 to September 30, 2015 (restated)
Gross profit	639,897	-	(21,173)	618,724	1,841,735	-	(62,437)	1,779,298
Operating expense	(387,266)	-	8,007	(379,259)	(1,211,876)	-	1,418	(1,210,458)
Income before equity in earnings of investees and financial results	252,631	-	(13,166)	239,465	629,859	-	(61,019)	568,840
Equity in earnings of associates	419	-	-	419	(2,740)	-	-	(2,740)
Equity in earnings of joint ventures	28,767	(3,850)	-	24,917	276,812	(24,797)	-	252,015
Equity in earning of investees	29,186	(3,850)	-	25,336	274,072	(24,797)	-	249,275
Financial results	(204,126)	-	(3,198)	(207,324)	(749,602)	-	(6,870)	(756,472)
Loss before taxes	77,691	(3,850)	(16,364)	57,477	154,329	(24,797)	(67,889)	61,643
Income tax expense	(18,055)	-	3,508	(14,547)	30,041	-	10,328	40,369
Loss from continuing operations	59,636	(3,850)	(12,856)	42,930	184,370	(24,797)	(57,561)	102,012

Cosan S.A. Indústria e Comércio

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

3 Significant accounting policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements.

3.1 Basis of consolidation

The consolidated interim financial statements include the accounts of Cosan and its subsidiaries. Cosan's subsidiaries are listed below:

<u>Subsidiaries</u>	Direct and indirect interest	
	September 30, 2016	December 31, 2015
Águas da Ponte Alta S.A.	65.00%	65.00%
Bioinvestments Negócios e Participações S.A.	65.00%	65.00%
Comma Oil Chemicals	100.00%	100.00%
Companhia de Gás de São Paulo - COMGÁS ⁽ⁱⁱ⁾	62.65%	61.33%
Cosan Biomassa S.A. ⁽ⁱⁱⁱ⁾	100.00%	100.00%
Cosan Cayman II Limited	100.00%	100.00%
Cosan Global Limited	100.00%	100.00%
Cosan Investimentos e Participações S.A.	100.00%	100.00%
Cosan Lubes Investments Limited	100.00%	100.00%
Cosan Lubrificantes e Especialidades S.A.	100.00%	100.00%
Cosan Luxembourg S.A.	100.00%	100.00%
Cosan Overseas Limited	100.00%	100.00%
Cosan Paraguay S.A.	100.00%	100.00%
Cosan US, Inc.	100.00%	100.00%
Ilha Terminal Distribuição de Produto Químicos	100.00%	100.00%
Nova Agrícola Ponte Alta S.A. ⁽ⁱ⁾	29.50%	29.50%
Nova Amaralina S.A. Propriedades Agrícolas ⁽ⁱ⁾	29.50%	29.50%
Nova Santa Barbara Agrícola S.A. ⁽ⁱ⁾	29.50%	29.50%
Pasadena Empreendimentos e Participações S.A.	100.00%	100.00%
Proud Participações S.A.	65.00%	65.00%
Radar II Propriedades Agrícolas S.A. ⁽ⁱ⁾	65.00%	65.00%
Radar Propriedades Agrícolas S.A. ⁽ⁱ⁾	29.50%	29.50%
Terras da Ponte Alta S.A. ⁽ⁱ⁾	29.50%	29.50%
Vale da Ponte Alta S.A.	65.00%	65.00%
Zip Lube S.A.	100.00%	100.00%

i. On September 30, the Company reclassified this investment as non current asset held for sale due to the partial sale of the shares of RADAR for Mansilla Participações Ltda. (Vehicle company of the investment fund TIAA - Teachers Insurance and Annuity Association of America), see note 13.

ii. From September 30, 2016, the Company increase its share to 62.65% in Comgás due to purchase 1,171,000 common shares pre-owned by non-controlling shareholders

Cosan S.A. Indústria e Comércio

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

- iii. The Company recognized, in line with obligations to non-controlling shareholder, commitment (put option), to repurchase shares of non-controlling shareholders as determined in a shareholders' agreement.

4 New standards and interpretations not yet adopted

- IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company has yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

- IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 - Construction Contracts and IFRIC 13 - Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The Company is currently assessing the potential impacts of adopting IFRS 15.

- IFRS 16 - Leases was issued on January 13, 2016. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. For lessees, the lease becomes an on-balance sheet liability that attracts interest, together with a new asset on the other side of the balance sheet. In other words, lessees will appear to become more asset-rich but also more heavily indebted. The new standard takes effect in January 2019.

There are no other IFRS or IFRIC interpretations that are not yet effective and that are expected to have a significant impact on the Company.

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

5 Operating segments

Segment information

The following segment information is used by Cosan's senior management (the "Chief Operating Decision Maker") to assess the performance of the operating segments and to make decisions with regards to the allocation of resources.

The following statement of financial position and profit or loss selected information by segment was prepared on the same basis as the accounting practices used in the preparation of consolidated information:

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	July 1, 2016 to September 30, 2016								
	Raízen Energia	Raízen Combustíveis	COMGÁS	Radar	Lubricants	Cosan Corporate	Desconsolidated effects IFRS 11	Segment elimination / adjustments	Total consolidated
Statement of profit or loss:									
Net sales	3,148,411	17,380,867	1,379,129	-	463,582	48	(20,529,278)	-	1,842,759
Domestic market	1,274,667	17,380,867	1,379,129	-	355,192	48	(18,655,534)	-	1,734,369
External market	1,873,744	-	-	-	108,390	-	(1,873,744)	-	108,390
Cost of sales	(2,480,327)	(16,425,140)	(763,700)	-	(339,903)	(1,132)	18,905,467	-	(1,104,735)
Gross profit	668,084	955,727	615,429	-	123,679	(1,084)	(1,623,811)	-	738,024
Selling expenses	(199,486)	(308,615)	(170,632)	-	(92,089)	(14)	508,101	-	(262,735)
General and administrative expenses	(127,330)	(103,440)	(84,632)	-	(17,742)	(38,706)	230,770	-	(141,080)
Other income (expenses), net	(20,404)	412,126	726	-	182	(22,573)	(391,722)	-	(21,665)
Financial results	70,315	(146,529)	(55,670)	-	(15,563)	(232,269)	76,214	-	(303,502)
Financial expenses	(223,405)	(152,843)	(190,177)	-	(16,161)	(384,033)	376,248	-	(590,371)
Financial income	172,270	63,215	134,545	-	1,157	50,651	(235,485)	-	186,353
Foreing exchange losses, net	2,706	(45,351)	(12,528)	-	1,219	(41,209)	42,645	-	(52,518)
Derivatives	118,744	(11,550)	12,490	-	(1,778)	142,322	(107,194)	-	153,034
Equity in earnings of associates	(10,305)	(2,830)	-	-	(1,553)	126,960	13,135	(119,130)	6,277
Equity in earnings of joint ventures	-	-	-	-	-	404,245	-	-	404,245
Income tax (expense)benefit	(105,808)	(258,783)	(109,356)	-	(92)	84,371	364,591	-	(25,077)
Profit (loss) from continuing operations	275,066	547,656	195,866	-	(3,177)	320,928	(822,722)	(119,130)	394,487
Profit (loss) from discontinued operations, net of tax	-	-	-	18,312	-	6,582	-	(6,582)	18,312
Net income attributable to:									
Owners of the Parent	274,978	534,943	122,309	6,582	(3,177)	327,510	(809,921)	(125,712)	327,512
Non-controlling interests	88	12,713	73,557	11,730	-	-	(12,801)	-	85,287
	275,066	547,656	195,866	18,312	(3,177)	327,510	(822,722)	(125,712)	412,799
Other select data:									
Depreciation and amortization	477,902	145,552	134,064	-	23,748	3,423	(623,454)	-	161,235
EBITDA	788,461	1,098,520	494,956	-	36,226	472,249	(1,886,981)	(119,130)	884,301
Additions to PP&E, intangible and biological assets	354,163	191,632	89,291	-	11,188	5,956	(545,795)	-	106,435
Reconciliation of EBITDA:									
Profit (loss) for the period	275,066	547,656	195,866	-	(3,177)	320,928	(822,722)	(119,130)	394,487
Income tax and social contribution	105,808	258,783	109,356	-	92	(84,371)	(364,591)	-	25,077
Financial results, net	(70,315)	146,529	55,670	-	15,563	232,269	(76,214)	-	303,502
Depreciation and amortization	477,902	145,552	134,064	-	23,748	3,423	(623,454)	-	161,235
EBITDA	788,461	1,098,520	494,956	-	36,226	472,249	(1,886,981)	(119,130)	884,301

Cosan S.A. Indústria e Comércio

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	January 1, 2016 to September 30, 2016								
	Raízen Energia	Raízen Combustíveis	COMGÁS	Radar	Lubricants	Cosan Corporate	Desconsolidated effects IFRS 11	Segment elimination / adjustments	Total consolidated
Statement of profit or loss:									
Net sales	9,657,588	50,252,193	4,333,163	-	1,431,697	424	(59,909,781)	-	5,765,284
Domestic market	3,955,267	50,252,193	4,333,163	-	1,096,072	424	(54,207,460)	-	5,429,659
External market	5,702,321	-	-	-	335,625	-	(5,702,321)	-	335,625
Cost of sales	(7,364,106)	(47,690,919)	(2,321,714)	-	(1,081,183)	(10,225)	55,055,025	-	(3,413,123)
Gross profit	2,293,482	2,561,274	2,011,449	-	350,514	(9,802)	(4,854,756)	-	2,352,161
Selling expenses	(568,201)	(965,232)	(485,102)	-	(271,431)	(114)	1,533,433	-	(756,647)
General and administrative expenses	(405,951)	(324,245)	(242,585)	-	(53,482)	(121,663)	730,196	-	(417,730)
Other income (expenses), net	16,544	610,196	(1,930)	-	2,037	(80,293)	(626,740)	-	(80,186)
Financial results	486,213	(426,235)	(197,677)	-	(59,827)	(753,132)	(59,978)	-	(1,010,636)
Financial expenses	(697,432)	(208,240)	(564,425)	-	(38,841)	(824,425)	905,672	-	(1,427,691)
Financial Income	500,169	177,425	366,171	-	2,967	252,822	(677,594)	-	621,960
Foreing exchange losses, net	(57,513)	736,752	230,033	-	46,567	741,709	(679,239)	-	1,018,309
Derivatives	740,989	(1,132,172)	(229,456)	-	(70,520)	(923,238)	391,183	-	(1,223,214)
Equity in earnings of associates	(59,080)	(310)	-	-	(4,575)	403,097	59,390	(404,037)	(5,515)
Equity in earnings of joint ventures	-	-	-	-	-	1,098,183	-	-	1,098,183
Income tax (expense)benefit	(553,720)	(443,006)	(377,118)	-	4,553	296,738	996,726	-	(75,827)
Profit (loss) from continuing operations	1,209,285	1,012,442	707,037	-	(32,212)	833,015	(2,221,727)	(404,037)	1,103,803
Profit (loss) from discontinued operations, net of tax	-	-	-	58,860	-	24,788	-	(24,788)	58,860
Net income attributable to:									
Owners of the Parent	1,209,197	977,481	436,250	24,789	(32,212)	857,803	(2,186,678)	(428,825)	857,805
Non-controlling interests	88	34,961	270,787	34,071	-	-	(35,049)	-	304,858
	1,209,285	1,012,442	707,037	58,860	(32,212)	857,803	(2,221,727)	(428,825)	1,162,663
Other select data:									
Depreciation and amortization	1,662,345	457,824	374,871	-	66,334	10,914	(2,120,169)	-	452,119
EBITDA	2,939,137	2,339,507	1,656,703	-	89,396	1,300,323	(5,278,644)	(404,037)	2,642,385
Additions to PP&E, intangible and biological assets	1,522,527	596,643	292,751	-	29,876	8,596	(2,119,170)	-	331,223
Reconciliation of EBITDA:									
Profit (loss) for the period	1,209,285	1,012,442	707,037	-	(32,212)	833,015	(2,221,727)	(404,037)	1,103,803
Income tax and social contribution	553,720	443,006	377,118	-	(4,553)	(296,738)	(996,726)	-	75,827
Financial results, net	(486,213)	426,235	197,677	-	59,827	753,132	59,978	-	1,010,636
Depreciation and amortization	1,662,345	457,824	374,871	-	66,334	10,914	(2,120,169)	-	452,119
EBITDA	2,939,137	2,339,507	1,656,703	-	89,396	1,300,323	(5,278,644)	(404,037)	2,642,385

Cosan S.A. Indústria e Comércio

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reals – R\$, unless otherwise stated)

	July 1, 2015 to September 30, 2015 (restated)								
	Raízen Energia	Raízen Combustíveis	COMGÁS	Radar	Lubricants	Cosan Corporate	Desconsolidated effects IFRS 11	Segment elimination / adjustments	Total consolidated
Statement of profit or loss:									
Net sales	2,637,476	15,638,868	1,743,099	-	484,226	27	(18,276,344)	-	2,227,352
Domestic market	1,098,525	15,638,868	1,743,099	-	388,613	27	(16,737,393)	-	2,131,739
External market	1,538,951	-	-	-	95,613	-	(1,538,951)	-	95,613
Cost of sales	(2,207,305)	(14,884,931)	(1,241,425)	-	(367,111)	(92)	17,092,236	-	(1,608,628)
Gross profit	430,171	753,937	501,674	-	117,115	(65)	(1,184,108)	-	618,724
Selling expenses	(188,350)	(305,979)	(156,465)	-	(74,595)	-	494,329	-	(231,060)
General and administrative expenses	(137,341)	(91,255)	(78,338)	-	(18,482)	(38,943)	228,596	-	(135,763)
Other income (expenses), net	(5,433)	88,042	(671)	-	385	(12,150)	(82,609)	-	(12,436)
Financial results	(462,881)	(94,575)	889	-	(13,555)	(194,658)	557,456	-	(207,324)
Financial expenses	(262,380)	(45,428)	(58,366)	-	(1,532)	(214,931)	307,808	4,925	(269,904)
Financial Income	181,857	39,412	105,055	-	1,993	35,251	(221,269)	(4,925)	137,374
Foreing exchange losses, net	(622,213)	(169,696)	349,574	-	(17,435)	(512,932)	791,909	-	(180,793)
Derivatives	239,855	81,137	(395,374)	-	3,419	497,954	(320,992)	-	105,999
Equity in earnings of associates	(14,802)	3,505	-	-	(2,416)	113,272	11,297	(110,437)	419
Equity in earnings of joint ventures	-	-	-	-	-	24,917	-	-	24,917
Income tax (expense)benefit	164,978	(84,041)	(94,867)	-	(4,484)	84,804	(80,937)	-	(14,547)
Profit (loss) from continuing operations	(213,658)	269,634	172,222	-	3,968	(22,823)	(55,976)	(110,437)	42,930
Profit (loss) from discontinued operations, net of tax	-	-	-	12,856	-	5,629	-	(5,629)	12,856
Net income attributable to:									
Owners of the Parent	(213,658)	263,494	106,470	5,629	3,968	(17,194)	(49,836)	(116,066)	(17,193)
Non-controlling interests	-	6,140	65,752	7,227	-	-	(6,140)	-	72,979
	(213,658)	269,634	172,222	12,856	3,968	(17,194)	(55,976)	(116,066)	55,786
Other select data:									
Depreciation and amortization	509,827	144,802	120,865	-	20,140	1,147	(654,629)	-	142,152
EBITDA	594,072	593,052	387,065	-	42,147	88,178	(1,187,124)	(110,437)	406,953
Additions to PP&E, intangible and biological assets	230,362	208,571	163,639	-	15,222	6,996	(438,933)	-	185,857
Reconciliation of EBITDA:									
Profit (loss) for the period	(213,658)	269,634	172,222	-	3,968	(22,823)	(55,976)	(110,437)	42,930
Income tax and social contribution	(164,978)	84,041	94,867	-	4,484	(84,804)	80,937	-	14,547
Financial results, net	462,881	94,575	(889)	-	13,555	194,658	(557,456)	-	207,324
Depreciation and amortization	509,827	144,802	120,865	-	20,140	1,147	(654,629)	-	142,152
EBITDA	594,072	593,052	387,065	-	42,147	88,178	(1,187,124)	(110,437)	406,953

Cosan S.A. Indústria e Comércio

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	January 1, 2015 to September 30, 2015 (restated)								
	Raízen Energia	Raízen Combustíveis	COMGÁS	Radar	Lubricants	Cosan Corporate	Desconsolidated effects IFRS 11	Segment elimination / adjustments	Total consolidated
Statement of profit or loss:									
Net sales	7,364,398	44,494,263	4,948,174	-	1,288,157	27	(51,858,661)	-	6,236,358
Domestic market	3,054,921	44,494,263	4,948,174	-	1,032,784	27	(47,549,184)	-	5,980,985
External market	4,309,477	-	-	-	255,373	-	(4,309,477)	-	255,373
Cost of sales	(6,369,387)	(42,279,521)	(3,487,020)	-	(969,947)	(93)	48,648,908	-	(4,457,060)
Gross profit	995,011	2,214,742	1,461,154	-	318,210	(66)	(3,209,753)	-	1,779,298
Selling expenses	(425,510)	(903,002)	(461,640)	-	(209,779)	(1)	1,328,512	-	(671,420)
General and administrative expenses	(399,167)	(288,757)	(238,794)	-	(52,014)	(114,236)	687,924	-	(405,044)
Other income (expenses), net	9,324	231,602	(4,540)	-	758	(130,212)	(240,926)	-	(133,994)
Financial results	(690,226)	(115,901)	(131,363)	-	(22,552)	(602,557)	806,127	-	(756,472)
Financial expenses	(662,354)	(131,457)	(255,045)	-	(23,021)	(563,527)	793,811	12,925	(828,668)
Financial Income	482,055	118,641	184,279	-	3,348	96,415	(600,696)	(12,925)	271,117
Foreing exchange losses, net	(1,082,392)	(314,386)	153,124	-	(11,860)	(783,031)	1,396,778	-	(641,767)
Derivatives	572,465	211,301	(213,721)	-	8,981	647,586	(783,766)	-	442,846
Equity in earnings of associates	(32,214)	10,617	-	-	(9,507)	261,853	21,597	(255,086)	(2,740)
Equity in earnings of joint ventures	-	-	-	-	-	252,015	-	-	252,015
Income tax (expense)benefit	268,026	(346,139)	(226,842)	-	(13,507)	280,718	78,113	-	40,369
Profit (loss) from continuing operations	(274,756)	803,162	397,975	-	11,610	(52,487)	(528,406)	(255,086)	102,012
Profit (loss) from discontinued operations, net of tax	-	-	-	57,561	-	20,109	-	(20,109)	57,561
Net income attributable to:									
Owners of the Parent	(274,756)	777,978	243,477	20,110	11,610	(32,378)	(503,222)	(275,195)	(32,376)
Non-controlling interests	-	25,184	154,498	37,451	-	-	(25,184)	-	191,949
	(274,756)	803,162	397,975	57,561	11,610	(32,378)	(528,406)	(275,195)	159,573
Other select data:									
Depreciation and amortization	1,473,871	431,832	360,296	-	56,988	3,180	(1,905,703)	-	420,464
EBITDA	1,621,315	1,697,034	1,116,476	-	104,657	272,532	(3,318,349)	(255,086)	1,238,579
Additions to PP&E, intangible and biological assets	1,168,364	405,011	382,659	-	28,318	40,105	(1,573,375)	-	451,082
Reconciliation of EBITDA:									
Profit (loss) for the period	(274,756)	803,162	397,975	-	11,610	(52,487)	(528,406)	(255,086)	102,012
Income tax and social contribution	(268,026)	346,139	226,842	-	13,507	(280,718)	(78,113)	-	(40,369)
Financial results, net	690,226	115,901	131,363	-	22,552	602,557	(806,127)	-	756,472
Depreciation and amortization	1,473,871	431,832	360,296	-	56,988	3,180	(1,905,703)	-	420,464
EBITDA	1,621,315	1,697,034	1,116,476	-	104,657	272,532	(3,318,349)	(255,086)	1,238,579

Cosan S.A. Indústria e Comércio

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reals – R\$, unless otherwise stated)

	September 30, 2016								
Statement of financial position:	Raízen Energia	Raízen Combustíveis	COMGÁS	Radar	Lubricants	Cosan Corporate	Deconsolidated effects IFRS 11	Segment elimination	Total consolidated
Cash and cash equivalents	3,224,972	1,103,332	1,691,599	-	103,762	1,185,784	(4,328,304)	-	2,981,145
Marketable securities	-	-	-	-	-	-	-	-	-
Trade receivables	646,381	1,937,086	571,381	-	242,533	3	(2,583,467)	-	813,917
Derivative financial instruments	884,431	140,763	486,117	-	-	734,612	(1,025,194)	-	1,220,729
Inventories	2,614,158	1,540,822	138,783	-	256,807	1,318	(4,154,980)	-	396,908
Other financial assets	686,519	-	-	-	-	72,554	(686,519)	-	72,554
Assets held for sale	-	-	-	3,067,056	-	1,298,428	-	(1,298,428)	3,067,056
Other current assets	2,640,894	1,255,034	105,636	-	53,673	184,550	(3,895,928)	(7,112)	336,747
Other non-current assets	3,461,153	1,106,112	305,803	-	31,397	1,711,279	(4,567,265)	(8,078)	2,040,401
Investment in associates	386,064	-	-	-	24,552	4,309,291	(386,064)	(4,175,912)	157,931
Investment in joint ventures	-	-	-	-	-	8,501,602	-	-	8,501,602
Biological assets	779,066	-	-	-	-	-	(779,066)	-	-
Investment property	-	-	-	-	-	-	-	-	-
Property, plant and equipment	10,595,505	2,367,913	-	-	240,696	152,792	(12,963,418)	-	393,488
Intangible assets and goodwill	3,232,651	4,522,887	8,539,044	-	777,129	7,654	(7,755,538)	-	9,323,827
Loans, borrowings and debenture	(11,680,546)	(1,045,930)	(3,566,102)	-	(464,007)	(4,985,368)	12,726,476	-	(9,015,477)
Derivative financial instruments	(916,308)	(632,194)	-	-	(40,283)	(569,824)	1,548,502	-	(610,107)
Trade payables	(1,309,317)	(772,445)	(1,172,843)	-	(208,839)	(5,213)	2,081,762	-	(1,386,895)
Employee benefits payable	(345,998)	(68,387)	(56,352)	-	(21,384)	(17,513)	414,385	-	(95,249)
Preferred shareholders payable in subsidiaries	-	-	-	-	-	(2,023,988)	-	-	(2,023,988)
Liabilities held for sale	-	-	-	(155,219)	-	(80,173)	-	-	(235,392)
Other current liabilities	(1,481,859)	(1,508,177)	(210,569)	-	(150,370)	(187,507)	2,990,036	15,190	(533,256)
Other non-current liabilities	(1,341,141)	(4,766,264)	(1,461,123)	-	(147,316)	(1,341,084)	6,107,405	-	(2,949,523)
Total assets (net of liabilities) allocated by segment	<u>12,076,625</u>	<u>5,180,552</u>	<u>5,371,374</u>	<u>2,911,837</u>	<u>698,350</u>	<u>8,949,197</u>	<u>(17,257,177)</u>	<u>(5,474,340)</u>	<u>12,456,418</u>
Total assets	29,151,794	13,973,949	11,838,363	3,067,056	1,730,549	18,159,867	(43,125,743)	(5,489,530)	29,306,305
Equity attributable to owners of the parent	12,077,587	4,993,284	5,371,374	2,911,837	698,350	8,949,197	(17,070,871)	(8,981,562)	8,949,196
Non-controlling interests	(962)	187,268	-	-	-	-	(186,306)	3,507,222	3,507,222
Total shareholders' equity	12,076,625	5,180,552	5,371,374	2,911,837	698,350	8,949,197	(17,257,177)	(5,474,340)	12,456,418

Cosan S.A. Indústria e Comércio

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For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reals – R\$, unless otherwise stated)

	December 31, 2015 (restated)								
Itens do balanço patrimonial:	Raízen Energia	Raízen Combustíveis	COMGÁS	Radar	Lubricants	Cosan Corporate	Deconsolidated effects IFRS 11	Segment elimination	Total consolidated
Cash and cash equivalents	2,995,495	885,880	1,967,643	1,016	96,907	1,063,964	(3,881,375)	-	3,129,530
Marketable securities	-	-	-	97,222	-	-	-	-	97,222
Trade receivables	719,092	2,058,601	540,133	38,510	220,417	247	(2,777,693)	-	799,307
Derivative financial instruments	1,465,816	255,665	665,032	-	12,363	1,615,464	(1,721,481)	-	2,292,859
Inventories	2,371,987	1,287,946	134,347	-	293,916	2,854	(3,659,933)	-	431,117
Other financial assets	-	-	-	144,208	-	-	-	-	144,208
Other current assets	1,579,568	1,029,510	132,959	120,615	51,926	209,529	(2,609,078)	(11,525)	503,504
Other non-current assets	3,425,968	921,891	279,091	51	(135,853)	1,937,113	(4,347,859)	(9,716)	2,070,686
Investments in associates	225,670	248,456	-	-	8,453	5,660,434	(474,126)	(5,528,751)	140,136
Investments in joint ventures	-	-	-	-	-	8,237,188	-	-	8,237,188
Biological assets	678,564	-	-	-	-	-	(678,564)	-	-
Investment property	-	-	-	2,595,035	-	-	-	-	2,595,035
Property, plant and equipment	11,027,461	2,409,555	-	2,029	243,080	156,691	(13,437,016)	-	401,800
Intangible assets and goodwill	3,261,623	4,414,352	8,620,436	1,669	818,362	6,802	(7,675,975)	-	9,447,269
Loans, borrowings and debentures	(11,549,211)	(3,226,849)	(3,823,066)	-	(512,759)	(5,419,878)	14,776,060	-	(9,755,703)
Derivative financial instruments	(676,321)	(67,902)	-	-	(291)	(740,427)	744,223	-	(740,718)
Trade payables	(1,126,540)	(937,177)	(1,302,397)	(2,511)	(235,663)	(4,251)	2,063,717	-	(1,544,822)
Employee benefits payable	(315,704)	(83,214)	(65,522)	(5,684)	(15,061)	(20,140)	398,918	-	(106,407)
Other current liabilities	(920,298)	(968,904)	(103,334)	(35,465)	(135,946)	(209,512)	1,889,202	21,242	(463,015)
Other non-current liabilities	(1,364,086)	(3,129,160)	(1,180,987)	(104,403)	(209,244)	(3,742,216)	4,493,246	-	(5,236,850)
Total assets (net of liabilities) allocated by segment	11,799,084	5,098,650	5,864,335	2,852,292	500,607	8,753,862	(16,897,734)	(5,528,750)	12,442,346
Total assets	27,751,244	13,511,856	12,339,641	3,000,355	1,609,571	18,890,286	(41,263,100)	(5,549,992)	30,289,861
Equity attributable to owners of the parent	11,800,047	4,926,655	5,864,335	2,852,292	500,607	8,753,862	(16,726,702)	(9,217,238)	8,753,858
Non-controlling interests	(963)	171,995	-	-	-	-	(171,032)	3,688,488	3,688,488
Total shareholders' equity	11,799,084	5,098,650	5,864,335	2,852,292	500,607	8,753,862	(16,897,734)	(5,528,750)	12,442,346

Notes to the interim financial statements

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Net revenue by segment:

	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Raízen Energia				
Ethanol	1,400,772	4,600,024	1,128,511	3,695,498
Sugar	1,443,030	4,404,639	1,200,640	3,073,937
Cogeneration	206,557	401,876	203,002	387,740
Other	98,052	251,049	105,323	207,223
	3,148,411	9,657,588	2,637,476	7,364,398
Raízen Combustíveis				
Fuels	17,380,867	50,252,193	15,638,868	44,494,263
	17,380,867	50,252,193	15,638,868	44,494,263
COMGÁS				
Industrial	865,824	2,868,654	1,098,456	3,175,412
Residencial	237,425	590,679	202,404	504,608
Thermo generation	6,713	68,307	129,043	379,188
Cogeneration	51,505	163,414	64,982	203,082
Automotive	53,130	151,107	50,262	145,313
Commercial	78,325	224,626	77,706	211,108
Construction revenue	77,582	231,869	109,959	303,683
Other	8,625	34,507	10,287	25,780
	1,379,129	4,333,163	1,743,099	4,948,174
Lubricants				
Lubricants	404,882	1,256,067	403,214	1,105,607
Basic oil	54,725	163,558	76,870	171,028
Other	3,975	12,072	4,142	11,522
	463,582	1,431,697	484,226	1,288,157
Cosan Corporate				
Other	48	424	27	27
	48	424	27	27
IFRS 11 - Desconsolidated of adjustments / eliminations joint ventures and eliminations	(20,529,278) -	(59,909,781)	(18,276,344)	(51,858,661)
Total	1,842,759	5,765,284	2,227,352	6,236,358

6 Cash and cash equivalents

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Cash and bank accounts	1,015	3	18,557	164,091
Savings account ⁽ⁱ⁾	-	-	595,378	28,278
Financial Investments	143,374	731,046	2,367,210	2,937,161
	144,389	731,049	2,981,145	3,129,530

- (i) The savings account balances that on 31 December 2015 were presented as financial investments were relocated for better presentation, these financial statements.

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For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Financial investments are as follows:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Investment fund				
Repurchase agreements ⁽ⁱ⁾	126,731	97,485	1,783,221	1,248,983
Bank certificate of deposits - CDB ⁽ⁱⁱ⁾	15,628	567,078	219,896	765,900
Other	-	65,552	-	170,469
	142,359	730,115	2,003,117	2,185,352
Bank investments				
Repurchase agreements ⁽ⁱ⁾	-	-	32,732	407,710
Bank certificate of deposits - CDB ⁽ⁱⁱ⁾	-	-	242,854	343,083
Other	1,015	931	88,507	1,016
	1,015	931	364,093	751,809
	143,374	731,046	2,367,210	2,937,161

(i) These refer to purchases of assets, with the commitment to repurchase at a rate previously established by the parties, with original maturities of 90 days or less or for which there are no penalties or other restrictions for early redemption.

(ii) These refer mainly to Bank Deposit Certificates - CDBs, issued by Brazilian financial institutions with original maturities of 90 days or less or for which there are no penalties or other restrictions for early redemption.

For purposes of the statement of cash flows, cash and cash equivalents comprises the following balances:

	Consolidated	
	September 30, 2016	December 31, 2015
Cash and bank accounts	18,557	164,091
Savings account	595,378	28,278
Financial investments	2,367,210	2,937,161
Cash and cash equivalents related to discontinued operation	9,933	-
	2,991,078	3,129,530

7 Trade receivables

	Consolidated	
	September 30, 2016	December 31, 2015
Domestic – Brazilian Reais	859,634	829,912
Export – Foreign currency	13,340	16,112
Allowance for doubtful accounts	(59,057)	(46,717)
	813,917	799,307
Current	774,147	759,710
Non-current	39,770	39,597

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8 Inventories

	Consolidated	
	September 30, 2016	December 31, 2015
Finished goods	249,994	289,708
Product in process	86,873	86,981
Spare parts and others	60,041	54,428
	396,908	431,117

9 Other current tax receivables

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
ICMS - State VAT	-	-	96,630	121,754
Credit installment - PAES	-	33,245	-	33,245
COFINS - Revenue tax	3,720	3,718	40,626	11,700
Other	34	78	11,391	11,826
	3,754	37,041	148,647	178,525
Current	3,754	37,041	104,221	135,947
Non Current	-	-	44,426	42,578

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For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

10 Related parties

a) Receivables and payables to related parties:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current asset				
Corporate operation / agreements				
Raízen Energia S.A.	6,281	17,101	10,129	21,313
Rumo Logística Operadora Multimodal S.A	16,118	8,794	16,508	9,181
Cosan Lubrificantes e Especialidades	13,976	8,436	-	-
Aguassanta Participações S.A.	6,340	6,371	6,340	6,371
Radar Propriedades Agrícolas S.A.	753	1,035	-	-
Cosan Biomassa S.A	1,767	427	-	-
Cosan Limited	816	982	797	982
Raízen Combustíveis S.A.	113	269	1,316	709
Cosan Logística	36	18	2,899	3,534
Other	490	653	-	4,251
	46,690	44,086	37,989	46,341
Financial operations				
Raízen Energia S.A.	9,672	9,672	9,672	9,672
Raízen Combustíveis S.A.	-	-	-	1,102
Cosan Limited	-	-	-	29,485
	9,672	9,672	9,672	40,259
	56,362	53,758	47,661	86,600
Preferred shares				
Janus Brasil Participações S.A	24,467	20,875	24,467	20,875
Raízen Energia S.A.	114,097	89,763	114,097	89,763
	138,564	110,638	138,564	110,638
Financial operations				
Rezende Barbosa	38,944	70,365	38,944	70,368
Novvi LLC	-	-	-	17,309
Cosan Limited	-	-	24,884	-
Raízen Energia S.A.	-	23,029	-	23,029
	38,944	93,394	63,828	110,706
Corporate restructuring				
Other	7,532	5,706	1,484	-
	185,040	209,738	203,876	221,344

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For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current liabilities				
Corporate operations / agreements				
Raízen Energia S.A.	110,122	97,253	116,667	100,505
Raízen Combustíveis S.A.	8,139	8,927	5,932	9,447
Rumo Logística Operadora Multimodal S.A	3,447	1,480	3,531	1,512
Cosan Lubrificantes e especialidades	301	394	-	-
Cosan Biomassa S.A.	-	216,982	-	-
Other	593	618	130	-
	122,602	325,654	126,260	111,464
Financial operations				
Cosan Luxembourg S.A.	42,660	76,416	-	-
Cosan Overseas Limited	20,976	25,682	-	-
Raízen Energia S.A.	-	-	-	3,095
	63,636	102,098	-	3,095
	186,238	427,752	126,260	114,559
Non-current liabilities				
Financial operations				
Cosan Luxembourg S.A.	2,291,516	2,744,584	-	-
Cosan Overseas Limited	1,634,462	1,966,067	-	-
	3,925,978	4,710,651	-	-

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

a) Related party transactions:

	Parent Company			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Shared income (expense)				
Aguassanta Participações S.A.	105	276	114	331
Cosan Biomassa S.A.	497	1,512	179	552
Radar Propriedades Agrícolas S.A.	629	1,994	888	2,925
Cosan Logística S.A.	2,467	7,402	3,908	6,621
Cosan Lubrificantes e Especialidades	1,934	6,130	2,033	7,514
Raízen Energia S.A.	(1,033)	(3,325)	(876)	(2,858)
	4,599	13,989	6,246	15,085
Financial result				
Cosan Lubrificantes e Especialidades	-	-	-	28
Cosan Limited	9	(166)	219	331
Cosan Luxembourg S.A.	(44,896)	392,492	(628,102)	(971,979)
Pasadena Empreend. Partic. S.A.	187	526	-	-
Cosan Overseas Limited	(52,302)	224,780	-	-
Raízen Energia S.A.	501	1,495	680	1,910
Other	(62)	(167)	103	289
	(96,563)	618,960	(627,100)	(969,421)

	Consolidated			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Product sales				
ALL - América Latina Logística Malha Sul S.A	7,775	32,983	11,476	20,546
Raízen Combustíveis S.A	3,300	9,777	3,776	11,270
Raízen Energia S.A.	7,361	23,694	5,976	13,974
	18,436	66,454	21,228	45,790
Purchase of goods / Inputs				
Raízen Energia S.A.	(37)	(37)	(1,563)	(1,630)
Raízen Combustíveis S.A.	(2)	(2)	(119)	(119)
	(39)	(39)	(1,682)	(1,749)
Discontinued operation				
Raízen Energia S.A	19,179	50,664	14,352	43,631
	19,179	50,664	14,352	43,631
Shared income (expense)				
Aguassanta Participações S.A.	105	276	114	331
Cosan Logística S.A	2,467	7,402	3,908	6,621
Raízen Energia S.A.	(11,578)	(32,797)	(4,328)	(10,021)
	(9,006)	(25,119)	(306)	(3,069)
Financial result				
Cosan Limited	144	235	238	350
Cosan Logística S.A	-	-	508	508
Raízen Energia S.A.	501	1,495	680	1,910
Other	(51)	(126)	(50)	(147)
	594	1,604	1,376	2,621

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b) Officers' and directors' compensation

Key management includes directors (executive and non-executive) and members of the board. The compensation paid or payable to key management for their services is shown below:

	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015 (restated)	January 1, 2015 to September 30, 2015 (restated)
Regular compensation	9,179	30,117	4,226	20,010
Stock option expense	2,125	6,378	2,742	8,228
Bonuses and other variable compensation	4,693	12,615	83	10,511
	15,997	49,110	7,051	38,749

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11 Investments in associates

a) Information on associates and subsidiaries

	Companhia de Gás de São Paulo – “COMGÁS”	Cosan Biomassa	Cosan Global	Cosan Investimentos e Participações S.A.	Cosan Lubrificantes e Especialidades S.A.	Cosan Luxembourg S.A.	Radar II Propriedades Agrícolas S.A.	Radar Propriedades Agrícolas S.A.	Tellus Brasil Participações S.A (a)	Janus Brasil Participações S.A.	Other	Total
Shares issued by the investee	127,313,301	149,289,282	1	3,778,868,643	290,441	500,000	830,690,258	21,148,989	65,957,282	1,907,000	-	
Shares held by Cosan	79,764,049	149,289,282	1	3,778,868,643	290,437	500,000	539,979,397	4,001,167	33,638,214	934,430	-	
Cosan ownership interest (%)	62.65%	100%	100%	100%	100%	100%	65%	19%	51%	51%	-	
At January 1, 2016	3,754,589	208,849	200,663	5,824,631	(64,018)	107,507	648,330	625,108	99,638	23,713	(73,868)	11,355,142
Adoption to CPC 29 effect (Note 2)	-	-	-	(92,330)	-	-	-	-	-	-	-	(92,330)
At January 1, 2016 (restated)	3,754,589	208,849	200,663	5,732,301	(64,018)	107,507	648,330	625,108	99,638	23,713	(73,868)	11,262,812
Equity income of investee	436,250	(22,970)	(114,173)	1,144,118	(5,376)	3,106	-	-	(160)	4,808	(13,491)	1,432,112
Equity income of discontinued operation	-	-	-	-	-	-	17,610	7,177	-	-	-	24,787
Reclassification for assets held for sale	-	-	-	-	-	-	(666,012)	(632,413)	-	-	-	(1,298,425)
Equity method adjustments	-	-	-	(171,987)	-	-	72	128	-	(90)	62,656	(109,221)
Dividends	(724,650)	-	-	(284,896)	-	-	-	-	(1,508)	(689)	-	(1,011,743)
Capital increase / Decrease	-	(216,982)	7,418	-	-	199,656	-	-	-	3,592	-	(6,316)
Other	11,371	40,000	-	(195,472)	(348)	-	-	-	(492)	-	2,465	(142,476)
At September 30, 2016	3,477,560	8,897	93,908	6,224,064	(69,742)	310,269	-	-	97,478	31,334	(22,238)	10,151,530
Equity income of investee September, 30 2015 (restated)	242,987	(6,194)	131,044	297,642	(180,073)	222,262	-	-	8,235	588	(12,638)	703,853

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b) Consolidated

	Tellus Brasil Participações S.A.	Novvi Limited Liability Company	Janus Brasil Participações S.A.	Other investments	Total
Shares issued by the investee	65.957.282	200.002	16,166,927	-	
Shares held by Cosan	33.638.214	100.001	31,699,465	-	
Cosan ownership interest (%)	51.00%	33.33%	51.00%	-	
At January 1, 2016	99,638	6,783	23,713	10,002	140,136
Equity income of investee	(160)	(4,575)	4,808	(5,588)	(5,515)
Equity method adjustments	-	-	(90)	-	(90)
Dividends	(1,508)	-	(689)	-	(2,197)
Capital increase / Decrease	-	20,972	3,592	-	24,564
Other	(492)	-	-	1,525	1,033
At September 30, 2016	97,478	23,180	31,334	5,939	157,931
Equity income of investee September, 30 2015	8,235	(9,497)	588	(2,066)	(2,740)

c) Non-controlling shareholders of the information in the Company's subsidiaries

	Discontinued operation				
	Companhia de Gás de São Paulo - "COMGÁS"	Radar II Propriedades Agrícolas S.A.	Radar Propriedades Agrícolas S.A.	Elimination participation Radar II in Radar	Total
Shares issued by the investee	127,313,301	830,690,258	21,148,989	-	
Shares held by Cosan	47,549,252	290,710,861	17,147,822	-	
Cosan ownership interest (%)	37.35%	35.00%	81.08%	-	
At January 1, 2016	2,109,567	349,022	1,728,749	(498,850)	3,688,488
Equity income of investee	270,787	9,455	30,769	(6,153)	304,858
Equity method adjustments	-	38	503	(111)	430
Dividends	(464,007)	-	-	-	(464,007)
Other	(22,547)	-	-	-	(22,547)
At September 30, 2016	1,893,800	358,515	1,760,021	(505,114)	3,507,222

d) Information on subsidiaries:

September 30, 2016, the subsidiary COMGÁS has a balance of regulatory receivable account of R\$ (450,986) (R\$ 116,947 at December 31, 2015) related to differences between the actual cost incurred gas paid by COMGÁS, and the cost of gas included in the rate and charged customers as tariff structure defined by ARSESP. During the year, the net movement of regulatory account was R\$ (567,933) and the update by the Selic rate was R\$ (17,166). These assets or regulatory liabilities are only recorded in the financial statements when billed to consumers.

The date of the tariff review process of the 2014 cycle 2019 COMGÁS, which was scheduled to take place initially at the end of May 2014, was postponed by ARSESP through Resolutions n°. 494 of 27 May 2014 and n°. 533, of December 10, 2014.

The Company is awaiting the agency information on the next steps of the tariff review process.

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12 Investments in joint ventures

	Consolidated		Total
	Raízen Combustíveis S.A.	Raízen Energia S.A.	
Shares issued by investee	3,303,168,484	5,902,595,634	
Shares held by Cosan	1,651,584,242	2,951,297,817	
Cosan ownership interest (%)	50%	50%	
January 31, 2015	3,204,833	5,124,685	8,329,518
Initial adoption effect in joint ventures (note 2.2)	-	(92,330)	(92,330)
January 31, 2016 (restated)	3,204,833	5,032,355	8,237,188
Equity in earnings of jointly controlled entities	488,223	609,960	1,098,183
Equity method adjustments	20,648	(181,075)	(160,427)
Interest on capital	(63,500)	-	(63,500)
Dividends	(412,060)	(197,782)	(609,842)
September 30, 2016	3,238,144	5,263,458	8,501,602
Equity income of investee September 30, 2016 (restated)	388,396	(136,381)	252,015

The statement of financial position and statement of profit or loss of the joint ventures are disclosed in operating segments (Note 5).

Pursuant to the terms of the Raízen Joint Venture - Framework Agreement, Cosan is responsible for certain legal proceedings that existed prior to the formation of Raízen, net of judicial deposits as of April 1, 2011, as well as tax installments under the REFIS (tax amnesty and refinancing program), recorded in "Other taxes payable". Additionally, Cosan has access to a credit line (stand-by facility) granted to Raízen in the amount of US\$500 million, which was unused at September, 30 2016.

13 Disposal group held for sale

On September, 30 2016, Company signed a Share Purchase Agreement with Mansilla Participações Ltda. (vehicle company of the investment fund TIAA - Teachers Insurance and Annuity Association of America shareholder of the companies Radar and Radar II, committing to sell part of its shares of radar for a total amount of R\$ 1,064,506, cancel out any options, warrants or other obligations. Cosan will maintain a stake in Radar's common shares due to its expertise in the sector.

As described in the Purchase and Sale Agreement, the sale of Radar's share only will be realized after the approval of CADE (Administrative Council for Economic Defense), which occurred on October 18, 2016.

(a) Loss on impairment for the group of assets held for sale

The asset available for sale's measurement should be done at the lower value between carrying amount and fair value, however, the book balances at the Consolidated level Radar e Radar II are substantially comprised of investment properties, assets held for sale, other financial assets, securities and cash and cash equivalents, whose measurement rules are set forth in CPC 31 / IFRS 5, so no adjustment should be made. In addition, the balance investment in Radar and Radar II in the parent company was not adjusted in relation to the sale price due to the application of paragraph 8 of CPC 43.

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(b) Assets and liabilities of disposal group held for sale

On September 30, 2016, the group of assets and liabilities held for sale comprised the following assets and liabilities.

	Consolidated
	September 30, 2016
Assets	
Cash and cash equivalents	9,933
Investment securities	146,749
Other current assets	20,906
Assets held for sale	122,086
Other financial assets	150,150
Other current assets	19,293
Investment properties	2,594,462
Property and equipment	1,655
Intangible assets	1,822
Assets held for sales	3,067,056
Liabilities	
Trade payables	507
Salaries payable	6,096
Income tax payables	15,407
Dividends and interest on capital payable	14,810
Payables to related parties	6,335
Other current liabilities	3,589
Deferred tax liabilities	188,648
Liabilities held for sales	235,392
Net assets held for sales	2,831,664
Other comprehensive income	
Change in fair value of available for sale securities	9,300

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(c) Net profit from discontinued operations

	Consolidated			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Net sales	25,315	72,243	31,886	80,419
Cost of sales	-	-	(10,713)	(17,982)
Gross profit	25,315	72,243	21,173	62,437
General and administrative expenses	(8,559)	(23,249)	(8,030)	(22,225)
Other expense, net	1,159	9,825	22	20,808
Operating expenses	(7,400)	(13,424)	(8,008)	(1,417)
Income before equity in earning and financial results	17,915	58,819	13,165	61,020
Financial results	5,074	13,201	3,199	6,870
Profit before taxes	22,989	72,020	16,364	67,890
Income tax expenses	(4,677)	(13,160)	(3,508)	(10,329)
Profit for the period	18,312	58,860	12,856	57,561
Owners of the Parent	6,583	24,788	5,629	20,109
Non-controlling interests	11,729	34,072	7,227	37,452
	18,312	58,860	12,856	57,561

(d) Cash flows generated (used in) discontinued operations

	January 1, 2016 to September 30, 2016	January 1, 2015 to September 30, 2015
Net cash generated by operating activities	14,309	13,279
Net cash used in investing activities	(5,393)	(18,111)
Net cash generated by (used in) discontinued operating	8,916	(4,832)

The statement of profit or loss for the period and comparative statement of cash flow are being restated to present discontinued operations separately from operations

(e) Sale of the effect on the Company's financial position

The balances in the Company's assets held for sale R\$ 1,298,428 and liabilities held for sale R\$ 80,172 are represented, respectively, by investment and deferred taxes on discontinued segment.

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14 Property, plant and equipment

	Consolidated				Parent Company	
	Land, buildings and improvements	Machinery, equipment and facilities	Railcars and locomotives	Other	Total	
Cost						
At December 31, 2015	232,615	162,955	58,749	54,179	508,498	35,664
Additions	-	-	27,639	-	27,639	692
Disposals	-	(1,242)	-	(42)	(1,284)	-
Transfers (i)	(2,491)	11,385	(20,969)	3,041	(9,034)	(2,667)
Discontinued operations	(598)	(143)	(603)	(1,005)	(2,349)	-
At September 30, 2016	229,526	172,955	64,816	56,173	523,470	33,689
Depreciation						
At December 31, 2015	(31,405)	(42,804)	-	(32,489)	(106,698)	(9,012)
Additions	(8,153)	(12,170)	-	(4,460)	(24,783)	(2,007)
Disposals	-	127	-	41	168	-
Transfers (i)	810	(307)	-	134	637	-
Discontinued operations	136	96	-	462	694	-
At September 30, 2016	(38,612)	(55,058)	-	(36,312)	(129,982)	(11,019)
At December 31, 2015	201,210	120,151	58,749	21,690	401,800	26,652
At September 30, 2016	190,914	117,897	64,816	19,861	393,488	22,670

(i) Transfers to intangible assets caused by the completion of those assets.

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15 Intangible assets

	Consolidated					Parent	
	Goodwill	Concession rights - COMGAS	Trademarks	Related customer relationships	Other	Total	Total
Cost:							
At December 31, 2015	612,840	9,159,112	252,474	940,470	285,615	11,250,511	11,172
Additions	-	247,257	-	55,903	6,146	309,306	50
Transfers (i)	-	(16,777)	-	(10,391)	-	(27,168)	-
Transferências (i)	-	(2,147)	-	106	10,438	8,397	2,668
Descontinued operations	-	-	-	-	(2,396)	(2,396)	-
At September 30, 2016	612,840	9,387,445	252,474	986,088	299,803	11,538,650	13,890
Amortization							
At December 31, 2015	-	(921,733)	(159,789)	(575,411)	(146,309)	(1,803,242)	(4,905)
Additions	(4,270)	(259,268)	(17,120)	(113,129)	(33,655)	(427,442)	(1,783)
Disposals	-	9,821	-	5,466	-	15,287	-
Transfers (i)	-	124	-	-	(124)	-	-
Descontinued operations	-	-	-	-	574	574	-
At September 30, 2016	(4,270)	(1,171,056)	(176,909)	(683,074)	(179,514)	(2,214,823)	(6,688)
At December 31, 2015	612,840	8,237,379	92,685	365,059	139,306	9,447,269	6,267
At September 30, 2016	608,570	8,216,389	75,565	303,014	120,289	9,323,827	7,202

(i) Transfers to intangible assets caused by the completion of those assets.

Capitalization of borrowing costs

Capitalized borrowing costs for period ended on September 30, 2016, amounted to R\$ 13,026 (R\$ 14,766 for period ended on September 30, 2015), relating to interest on loans obtained for the construction of these assets. The weighted average interest rate used to capitalize borrowing costs on the balance of construction in progress, was 12.55% p.a. for the period ended on September 30, 2016 (11.26% p.a. on September 30, 2015).

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Notes to the interim financial statements

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Intangible assets (excluding goodwill)	Annual rate of amortization	September 30, 2016	December 31, 2015
Concession intangible asset - COMGÁS	Over the concession term	8,216,389	8,237,379
Trademarks		-	
<i>Mobil</i>	10.00%	51,361	68,481
<i>Comma</i>	-	24,204	24,204
		75,565	92,685
Relationship with customers:		-	
Comgás	20.00%	260,131	313,693
Lubricants	6.00%	42,883	51,366
		303,014	365,059
Other		-	
License of software	20.00%	111,178	112,570
Other		9,111	26,736
		120,289	139,306
Total		8,715,257	8,834,429

The Company tests the recoverable amounts of goodwill arising from business combination transactions annually. Property, plant and equipment and definite life intangible assets, that are subject to depreciation and amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

During the period ended September 30, 2016, no impairment indicators were identified that would trigger the need for an impairment test.

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16 Loans, borrowings and debentures

Description	Interest Index ⁽ⁱ⁾	Annual interest ⁽ⁱⁱ⁾	Parent Company		Consolidated		Maturity
			September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	
Loan and borrowings							
BNDES	TJ462	10.43%	-	-	688,609	809,660	Oct/2020
	Selic	16.22%	-	-	320,663	298,258	Oct/2020
	TJLP	10.15%	-	-	168,096	176,900	Oct/2018
EIB	US\$ + LIBOR	2.35%	-	-	669,973	869,014	Sep/2021
FINAME	Fixed	5.50%	-	-	120	164	Feb/2025
FINEP	Fixed	5.00%	-	-	116,192	137,133	Nov/2020
Foreign loans	LIBOR Sterling	3.93%	-	-	230,954	312,940	Dec/2019
Perpetual Notes	US\$	8.25%	-	-	1,643,558	1,976,673	-
Resolution 4131	US\$	3.08%	-	-	108,978	161,796	Oct/2020
	US\$ + LIBOR	2.00%	-	-	414,506	471,045	Mar/2018
	US\$ + LIBOR	2.00%	328,881	406,348	361,536	406,348	Nov/2016
Senior Notes Due 2018	Fixed	9.50%	-	-	164,297	875,376	Mar/2018
Senior Notes Due 2023	US\$	5.00%	-	-	328,923	2,009,296	Mar/2023
Senior Notes Due 2027	US\$	7.00%	-	-	2,378,320	-	Jan/2027
Working capital	CDI + 0.28% p.m.	18.02%	-	-	6,683	25,004	Dec/2016
	121.10% of CDI	17.36%	-	-	2,008	10,143	Nov/2016
Secured account	125.5% of CDI	18.04%	-	-	10,186	17,763	Oct/2016
FINIMP	US\$ + Libor Tri	3.17%	-	-	41,283	-	Jun/2017
Other	US\$ + Libor Tri	3.80%	-	-	56,338	-	Apr/2017
			328,881	406,348	7,711,223	8,557,513	
Non-convertible debentures			-	-	1,304,254	1,198,190	
Total			328,881	406,348	9,015,477	9,755,703	
Current			328,881	406,348	1,246,859	1,230,518	
Non-current			-	-	7,768,618	8,525,185	

(i) TJLP and URTJLP are long-term interest rates set on loans by BNDES, the (Brazilian National Economic and Social Development Bank). Selic is the benchmark interest rate set by the Brazilian Central Bank. CDI is a benchmark interbank lending rate in Brazil. IPCA is a benchmark consumer price index.

(i) As at September 30, 2016.

Senior Notes with maturity in 2027

On June 20, 2016, Cosan Luxembourg S.A. ("Cosan Lux"), wholly owned subsidiary, issued Senior Notes in the international market in accordance with the "Regulation S" and "144A" in the amount of US\$ 500 million, which are subject to interest at 7% pa. The funds were used for partial repayment of Senior Note 2018 and Senior Note 2023. During the term of the permit, the Company must maintain the net debt divided by EBITDA, and other financial covenants.

On July 18, 2016, Cosan Lux issued an additional U.S.\$150,000,000 principal amount of its 7% Senior Notes due 2027. The Bonds are additional securities issued pursuant to the provisions of the indenture,

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dated as of June 20, 2016, among the Issuer, Cosan S.A. and Deutsche Bank Trust Company Americas, as Trustee (the “Trustee”), and an officers’ certificate to be dated Ju 18, 2016.

FINIMP

On 1 July 2016, Cosan Lubricants, the Company's subsidiary entered into a loan with Citibank in the amount of US\$ 12,345 at an interest rate of Libor 3M + 2.52% p.a, maturing on June 30 2017. The funds were used to pay for raw materials imported.

The carrying amounts and fair value of loans and borrowings:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
13 to 24 months	1,452,166	628,853
25 to 36 months	653,170	2,181,646
37 to 48 months	575,953	670,499
49 to 60 months	414,417	727,953
61 to 72 months	150,583	184,070
73 to 84 months	539,431	120,819
85 to 96 months	193,825	2,010,345
Thereafter	3,789,073	2,001,000
	<u>7,768,618</u>	<u>8,525,185</u>

Debentures

<u>Description</u>	<u>Issue</u>	<u>Series</u>	<u>Quantity</u>	<u>Interest</u>		<u>September 30, 2016</u>	<u>December 31, 2015</u>
				<u>Index</u>	<u>Annual interest</u>		
Non-convertible debentures							
9/15/2013	3 rd	1 st	128,197	CDI	0.90%	128,989	133,624
9/15/2013	3 rd	2 nd	269,338	IPCA	5.10%	343,433	320,419
9/15/2013	3 rd	3 rd	142,465	IPCA	5.57%	181,622	166,300
Transaction cost	3 rd					(3,701)	(4,750)
12/15/2015	4 th	1 st	269,620	IPCA	7.14%	302,110	270,642
12/15/2015	4 th	2 nd	242,374	IPCA	7.48%	272,242	243,308
12/15/2015	4 th	3 rd	79,900	IPCA	7.36%	89,506	80,207
Transaction cost	4 th					(9,947)	(11,560)
						<u>1,304,254</u>	<u>1,198,190</u>

The carrying amounts of loans and financing of the Company are denominated in these currencies:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
US Dollar	6,003,415	5,894,172
Brazilian Real	2,781,108	3,548,591
Pound Sterlind	230,954	312,940
	<u>9,015,477</u>	<u>9,755,703</u>

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- (i) At September 30, 2016, all debts denominated in US dollars have currency risk protection through derivatives. See details in 25.

Financial covenants

The Company and its subsidiaries are subject to certain restrictive financial covenants set forth in existing loans, financing and debentures agreements in relation to certain financial and non-financial indicators. Financial ratios are: (i) consolidated net comprehensive debt (Bank loans, bonds, leases, certificates of real estate receivables net of cash and cash equivalents, marketable securities and derivative instruments)/ EBITDA; (ii) EBITDA / consolidated financial results (considers only interest on debentures, loans / financing and derivative activities); (iii) equity / net assets, being item, and the item (iii) applicable only to the BNDES.

Except for BNDES, whose new net comprehensive debt indicators / EBITDA and ICD are yet to be set, all other creditors have agreed to a ratio of up to 5.5x net comprehensive debt / EBITDA. If the negotiations with BNDES require a lower leverage ratio, such ratio will be extended to all other creditors with equivalent covenants conditions. On September 30, 2016, quarterly financial covenants were met within the new established standards.

As at September 30, 2016, the Company and its subsidiaries were in compliance with all debt financial covenants.

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

17 Trade payables

	Parent company		Consolidated	
	September	December 31,	September	December 31,
Natural gas suppliers	-	-	1,376,294	1,489,552
Judicial deposits ⁽ⁱ⁾	-	-	(294,976)	(294,976)
Material and services suppliers	708	1,151	305,577	350,246
	708	1,151	1,386,895	1,544,822

- (i) On September 30, 2016, the amount of litigation price differences practiced by Petrobrás in gas supply is R\$ 1,018,129, the amount guaranteed in the judicial deposit R\$ 294,976 and the amount guaranteed by bond R\$ 723,153.

18 Other taxes payable

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Tax amnesty and refinancing program - Refis	26,209	30,789	26,209	30,789
COFINS - Revenue tax	3,289	11,905	24,915	20,815
PIS - Revenue tax	617	2,510	5,321	4,432
INSS - Social security	566	539	3,421	782
Other	404	508	14,488	17,215
ICMS – State VAT	1	4	91,785	71,438
	31,086	46,255	166,139	145,471
Current	10,710	21,025	145,763	120,241
Non-Current	20,376	25,230	20,376	25,230

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Notes to the interim financial statements

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19 Income tax and social contribution

a) Reconciliation of income and social contribution tax expenses:

	Parent company			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015 (restated)	January 1, 2015 to September 30, 2015 (restated)
Profit (loss) before taxes	316,630	513,893	(159,328)	(335,567)
Income tax and social contribution at nominal rate (34%)	(107,654)	(174,724)	54,172	114,093
<i>Adjustments to determine the effective rate</i>				
Equity method investments (non taxable income)	114,363	458,463	106,091	207,956
Non-deductible expenses (donations, gifts, etc.)	(183)	(658)	(85)	(476)
Stock options	(723)	(2,168)	(932)	(2,797)
Out of period carryforward tax losses (reversals)	-	40,252	-	-
Differences in tax rates on earnings / losses of overseas companies	-	(20)	(22,037)	(33,587)
Compensation action	1,346	3,652	-	-
Other	(2,850)	(5,673)	(703)	(2,107)
Income tax and social contribution expense (current and deferred)	4,299	319,124	136,506	283,082
	Consolidated			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015 (restated)	January 1, 2015 to September 30, 2015 (restated)
Profit (loss) before taxes	419,565	1,179,629	57,477	61,643
Income tax and social contribution at nominal rate (34%)	(142,652)	(401,074)	(19,542)	(20,959)
<i>Adjustments to determine the effective rate</i>				
Equity method investments (non taxable income)	139,578	371,507	8,614	84,754
Non-deductible expenses (donations, gifts, etc.)	(5,477)	(10,238)	(5,273)	(19,026)
Stock options	(723)	(2,168)	(932)	(2,797)
Interest capital - benefit	(8,330)	(21,590)	(12,818)	(18,938)
Out of period carryforward tax losses (reversals)	1,003	40,169	1,723	1,586
Differences in tax rates on earnings / losses of overseas companies	(4,332)	(42,905)	14,723	17,271
Compensation action	1,346	3,652	-	-
Other	(5,490)	(13,180)	(1,042)	(1,522)
Income tax and social contribution expense (current and deferred)	(25,077)	(75,827)	(14,547)	40,369

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

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b) Deferred income tax assets and liabilities:

	Parent Company				December 31, 2015
	September 30, 2016			Total	
	Base	IRPJ	CSLL		
Tax loss carryforwards:					
Income tax loss carryforwards	1,127,921	281,980	-	281,980	120,391
Social contribution tax loss carryforwards	1,139,344	-	102,541	102,541	44,369
Temporary differences:					
Foreign currency gains/losses	1,508,828	377,207	135,795	513,002	775,033
Tax deductible goodwill	(64,185)	(16,046)	(5,777)	(21,823)	(21,823)
Provision for judicial demands	208,586	52,146	18,773	70,919	60,288
Allowance for doubtful accounts	184,080	46,020	16,567	62,587	7,107
Profit sharing	7,802	1,951	702	2,653	4,612
Derivatives instrumets unrealized gains	(416,690)	(104,173)	(37,502)	(141,675)	(413,686)
Other temporary differences	7,809	1,952	703	2,655	6,457
Gain on formation of Joint Venture	(3,338,342)	(834,586)	(300,451)	(1,135,037)	(1,135,037)
Other	619,742	154,936	55,777	210,713	86,501
Total net liability		(38,613)	(12,872)	(51,485)	(465,788)

	Consolidated				December 31, 2015
	September 30, 2016			Total	
	Base	IRPJ	CSLL		
Tax loss carryforwards:					
Income tax loss carryforwards	1,954,672	488,668	-	488,668	311,140
Social contribution tax loss carryforwards	1,973,313	-	177,598	177,598	113,688
Temporary differences:					
Foreign currency gains/losses	1,658,622	414,656	149,276	563,932	891,270
Tax deductible goodwill	(134,113)	(33,528)	(12,070)	(45,598)	101,293
Provision for judicial demands	539,094	134,774	48,518	183,292	164,177
Allowance for doubtful accounts	329,909	82,477	29,692	112,169	60,229
Profit sharing	17,444	4,361	1,570	5,931	6,790
Derivatives instrumets unrealized gains	(388,748)	(97,187)	(34,987)	(132,174)	(435,946)
Other temporary differences	369,266	92,316	33,234	125,550	100,670
Review of useful life	(820,132)	(205,033)	(73,812)	(278,845)	(100,153)
Gain on formation of Joint Venture	(3,338,342)	(834,586)	(300,451)	(1,135,037)	(1,135,037)
Unrealized gains on investment properties	-	-	-	-	(62,069)
Assets held for sale	-	-	-	-	(1,255)
Concession contract	(32,648)	(8,162)	(2,938)	(11,100)	(12,552)
Regulatory asset	213,146	53,286	19,183	72,469	76,764
Gains or losses on actuarial liabilities	318,917	79,729	28,703	108,432	103,820
Business combination - Property and equipment	(3,525,358)	(881,340)	(317,282)	(1,198,622)	(1,234,094)
Business combination – Other fair value	(126,628)	(31,657)	(11,397)	(43,054)	(66,404)
Other	567,945	141,986	51,115	193,102	38,342
Total net liability		(599,240)	(214,048)	(813,287)	(1,079,327)

Deferred income tax – Assets	327,810	335,808
Deferred income tax – Liabilities	<u>(1,141,097)</u>	<u>(1,415,135)</u>
Total net deferred taxes	<u>(813,287)</u>	<u>(1,079,327)</u>

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

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c) Changes in deferred income taxes, net:

	<u>Parent company</u>	<u>Consolidated</u>
At December 31, 2015	(465,788)	(1,079,327)
Deffered tax record in Profit or Loss	334,132	67,256
Others comprehensive income	-	(354)
Discontinued operation	80,171	184,844
Business combinations	-	(4,522)
Other	-	18,816
At September 30, 2016	(51,485)	(813,287)

20 Provision for legal proceedings

	<u>Provision for legal proceedings</u>			
	<u>Parent company</u>		<u>Consolidated</u>	
	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Tax	83,399	73,320	399,266	376,532
Civil	72,996	57,542	191,256	161,740
Labor	138,764	135,678	169,275	165,075
	295,159	266,540	759,797	703,347

Judicial deposits on September 30, 2016 and December 31, 2015 are as follows:

	<u>Judicial deposit</u>			
	<u>Parent company</u>		<u>Consolidated</u>	
	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Tax	223,963	212,119	346,383	353,961
Civil and enviromental	14,302	13,797	18,528	19,465
Labor	28,768	26,597	43,213	39,641
	267,033	252,513	408,124	413,067

Changes in provision for judicial demands:

	<u>Parent company</u>			
	<u>Tax</u>	<u>Civil</u>	<u>Labor</u>	<u>Total</u>
At December 31, 2015	73,320	57,542	135,678	266,540
Provisions	4,789	18,023	20,940	43,752
Settlement / Write-offs	(1,571)	(17,457)	(34,641)	(53,669)
Monetary variation	6,861	14,888	16,787	38,536
At September 30, 2016	83,399	72,996	138,764	295,159

	<u>Consolidated</u>			
	<u>Tax</u>	<u>Civil</u>	<u>Labor</u>	<u>Total</u>
At December 31, 2015	376,532	161,740	165,075	703,347
Provisions	6,017	21,077	28,085	55,179
Settlement / Write-offs	(3,546)	(19,804)	(40,701)	(64,051)
Monetary variation	20,263	28,243	16,816	65,322
At September 30, 2016	399,266	191,256	169,275	759,797

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a) Tax

The main tax lawsuits at September 30, 2016 and December 31, 2015, are as follows:

	Parent company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Compensation with FINSOCIAL (i)	-	-	265,830	255,022
INSS	52,208	48,884	61,853	57,916
ICMS credits	21,897	18,777	31,034	29,248
PIS and COFINS	201	-	330	-
IPI	1,136	1,105	1,136	1,105
IRPJ and CSLL	329	329	329	329
Others	7,628	4,225	38,754	32,912
	83,399	73,320	399,266	376,532

b) Civil and labor

The Company and its subsidiaries are parties to civil proceedings relating to (i) compensation for material and moral damage, (ii) public civil actions for abstaining from the practice straw burning sugarcane and (iii) execution of an environmental nature.

The Company and its subsidiaries are parties to labor claims filed by former employees and employees of service providers who question, among other, payment of overtime, night and dangerous, job reinstatement, compensation for accidents at work and back discounts made in payroll, such as confederal contributions, union dues and other.

Contingencies - Lawsuits considered as possible losses therefore not provided

a) Tax

The main tax lawsuits whose probability of losses are possible and therefore no provision has been recognized in the financial statements, are highlighted below:

	Parent company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
ICMS- state VAT	1,416,583	1,348,914	1,735,380	1,678,491
Federal income taxes ⁽ⁱ⁾	286,204	323,929	1,519,832	820,972
PIS and COFINS - revenue taxes	750,955	708,141	765,951	733,799
IRRF - withholding tax	2,644	2,551	777,661	729,070
INSS - social security	567,864	541,700	614,839	577,686
IPI - excise tax	434,324	423,246	507,831	484,606
Compensation with IPI - IN 67/98	127,250	123,522	127,250	123,522
Other	540,785	524,031	776,398	768,728
	4,126,609	3,996,034	6,825,142	5,916,874

- (i) The tax contingencies relate to the tax assessments mainly in the Federal sphere assessed as possible losses by the legal counsel and management and, therefore, no reserve was required. Until the date of approval of the interim financial statements, the Company had science assessment notice on goodwill amortization expense amounting possible is R\$ 618,992. The tax assessment is questioned at the administrative level.

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b) *Civil and labor*

	Parent company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Civil	606,684	522,973	1,288,849	1,132,962
Labor	384,175	368,506	409,885	398,242
	990,859	891,479	1,698,734	1,531,204

21 Shareholders' equity

a. Share repurchase program

In September 30, 2016, the Company had 712,539 treasury shares, whose market price was R\$ 37.71 (R\$ 25.20 on December 31, 2015).

b. Other comprehensive income

	December 31, 2015	Comprehensive income			September 30, 2016
		Base	Deferred tax	Net	
Foreign currency translation differences - equity - accounted investee	(80,378)	63,987	-	63,987	(16,391)
Gain (loss) on cash flow hedge	(235,891)	(173,170)	-	(173,170)	(409,061)
Revaluation of investment property reclassified from property, plant and equipment	190,735	-	-	-	190,735
Defined benefit plan actuarial gain (losses)	4,396	-	-	-	4,396
Gain in mensuration on derivative financial instrument	(60,631)	6,000	-	6,000	(54,631)
Available for sale financial assets from securities	30,739	746	(354)	392	31,131
Total	(151,030)	(102,437)	(354)	(102,791)	(253,821)
Attributable to:					
Owner of Cosan	(184,691)			(103,221)	(287,912)
Non-controlling interests	33,661			430	34,091

c. Dividends

On February 18, 2016 and May, 12 2016, the Board of Directors approved the payment of the Company's interim dividends in the amount of R\$ 285,000 (two hundred eighty-five million reais) and 290,000 (two hundred ninety million reais) in accordance with Article 31 of the Company's bylaws, respectively, already settled.

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

22 Earnings per share

	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2016 to September 30, 2016	January 1, 2015 to September 30, 2015
Profit attributable from continued operation to ordinary equity holders for basic earnings	320,929	833,017	(22,822)	(52,485)
Profit attributable from discontinued operation to ordinary equity holders for basic earnings	6,583	24,788	5,629	20,109
Effect of dilution: <i>Put option</i>	(528)	(2,423)	-	-
Profit from continued operation attributable to ordinary equity holders adjusted for the effect of dilution	320,401	830,594	(22,822)	(52,485)
Profit from discontinued operation attributable to ordinary equity holders adjusted for the effect of dilution	6,583	24,788	5,629	20,109
Weighted average number of shares outstanding - basic	406,193,675	405,972,990	405,856,814	405,856,814
Effect of dilution: <i>Stock option</i>	2,213,064	1,674,941	931,115	827,195
<i>Put option</i>	5,880,423	5,880,423	-	-
Weighted average number of shares outstanding - diluted	414,287,162	413,528,354	406,787,929	406,684,009
Basic earnings per share	R\$0.79009	R\$2.05190	(R\$0.05623)	(R\$0.12932)
Basic earnings per share from discontinued operation	R\$0.01621	R\$0.06106	R\$0.01387	R\$0.04955
Diluted earnings per share	R\$0.77338	R\$2.00855	(R\$0.05610)	(R\$0.12906)
Diluted earnings per share from discontinued operation	R\$0.01589	R\$0.05994	R\$0.01384	R\$0.04945

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23 Other income (expense), net

	Parent company			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Provisions for legal proceedings	(17,060)	(73,790)	(14,074)	(29,747)
Corporate transactions cost	(323)	(323)	(59)	(101,423)
Other	1,779	4,136	1,545	4,557
	(15,604)	(69,977)	(12,588)	(126,613)

	Consolidated			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Profit on disposal of non-current assets	(3,741)	(6,399)	(103)	(2,762)
Provisions for legal proceedings	(17,043)	(75,965)	(14,431)	(32,301)
Corporate transactions cost ⁽ⁱ⁾	(323)	(323)	(59)	(101,423)
Other	(558)	2,501	2,157	2,492
	(21,665)	(80,186)	(12,436)	(133,994)

- (i) Relates to costs incurred by the Company with lawyers, consultants, business advisors and other related services for certain internal reorganizations and prospective acquisitions.

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24 Financial results

	Parent Company			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Cost of gross debt				
Interest on debt	(1,768)	(8,973)	(1,542)	(3,968)
Monetary and exchange rate variation	(3,643)	65,812	(87,109)	(131,828)
Derivative and fair value ⁽ⁱ⁾	94,083	(972,773)	767,021	1,222,454
Amortization of funding expenditure	(1,032)	(4,789)	-	-
	87,640	(920,723)	678,370	1,086,658
Financial investment income	8,319	56,929	8,004	24,890
	8,319	56,929	8,004	24,890
Cost of debt, net	95,959	(863,794)	686,374	1,111,548
Other charges and monetary variations				
Interest on other receivables	7,981	37,779	4,578	13,955
Interest on other financial assets	20,894	20,894	-	-
Interest on capital	24,500	63,500	-	-
Interest on other liabilities	(60,613)	(339,147)	(66,232)	(199,945)
Bank charges	(10,223)	(24,071)	(18)	(10,461)
Exchange variation	(51,177)	439,962	(1,053,398)	(1,644,462)
	(68,638)	198,917	(1,115,070)	(1,840,913)
Financial results, net	27,321	(664,877)	(428,696)	(729,365)
Financial expenses	(133,306)	(541,561)	(114,404)	(350,152)
Financial income	64,525	185,102	58,608	117,656
Exchange variation	(47,777)	853,877	(1,130,449)	(1,706,861)
Derivatives	143,879	(1,162,295)	757,549	1,209,992
Financial results, net	27,321	(664,877)	(428,696)	(729,365)

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	Consolidated			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Cost of gross debt				
Interest on debt	(178,785)	(561,154)	(137,408)	(407,796)
Monetary and exchange rate variation	(52,844)	1,022,222	(1,011,731)	(1,572,615)
Derivative and fair value ⁽ⁱ⁾	(69,636)	(1,337,448)	890,079	1,236,126
Amortization of funding expenditure	(7,272)	(69,781)	-	-
Discounts obtained from financial operations	688	85,962	-	-
Guarantees and warranties about split	(12,797)	(35,774)	(6,212)	(17,549)
	(320,646)	(895,973)	(265,272)	(761,834)
Income from financial investment	71,333	241,084	62,550	157,561
	71,333	241,084	62,550	157,561
Cost of debt, net	(249,313)	(654,889)	(202,722)	(604,273)
Other charges and monetary variations			-	
Interest on other receivables	35,781	126,061	62,770	81,887
Interest on other financial assets	20,894	20,894	-	-
Interest on other liabilities	(98,273)	(454,398)	(54,267)	(186,021)
Bank charges	(10,602)	(30,158)	(9,619)	(36,226)
Exchange variation	(1,989)	(18,146)	(3,486)	(11,839)
	(54,189)	(355,747)	(4,602)	(152,199)
Financial results, net	(303,502)	(1,010,636)	(207,324)	(756,472)
Financial expenses	(590,371)	(1,427,691)	(269,904)	(828,668)
Financial income	186,353	621,960	137,374	271,117
Exchange variation	(52,518)	1,018,309	(180,793)	(641,767)
Derivatives	153,034	(1,223,214)	105,999	442,846
Financial results, net	(303,502)	(1,010,636)	(207,324)	(756,472)

(i) The balance of fair value that were presented under interest and monetary variation on September 31, 2015 were relocated to the caption derivatives and fair value for better presentation these financial statements. The impact of reallocating the number of September 31, 2015 was R\$ 127,184.

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25 Financial instruments

Financial risk management

Overview

The Company is exposed to the following risks related to the use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

This note presents information about the exposure of the Company and its subsidiaries to the above risks, as well as the objectives of the Company's risk management policies, these policy and processes for the assessment and management of risks.

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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Assets		
Fair value through profit or loss		
Exclusive funds	2,003,117	2,185,352
Investment securities	-	97,222
Other financial assets	72,554	144,208
Derivative financial instrument	1,220,729	2,292,859
	3,296,400	4,719,641
Loans and receivables		
Cash and cash equivalents	978,028	944,178
Trade receivables	813,917	799,307
Receivables from related parties	251,537	307,944
Dividends receivable	4,981	11,321
	2,048,463	2,062,750
Total	5,344,863	6,782,391
Liabilities		
Liabilities amortized cost		
Loans, borrowings and debentures	4,451,132	5,353,958
Trade payables	1,386,895	1,544,822
Payables to related parties	126,260	114,559
Dividends payable	21,202	41,656
Tax installments - REFIS	26,209	30,789
Preferred shareholders payable in subsidiaries	2,023,988	2,042,878
Other financial liabilities	22,304	-
Other	160,123	147,224
	8,218,113	9,275,886
Fair value through profit or loss		
Loans, borrowings and debentures	4,564,345	4,401,745
Contingent consideration	146,523	217,377
Pension and post-employment benefits	357,966	344,334
Derivative financial instruments	610,107	740,718
	5,678,941	5,704,174
	13,897,054	14,980,060

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Risk management structure

As at September 30, 2016 and December 31, 2015, the fair values relating to transactions involving derivative financial instruments to protect the Company's risk exposure were using observable inputs such as quoted prices in active markets, or discounted cash flows based on market curves, and are presented below:

	Notional		Fair value	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Exchange rate derivatives				
Forward agreements	47,474	2,058,190	(5,430)	46,200
	47,474	2,058,190	(5,430)	46,200
Interest rate and exchange rate risk				
Swap agreements (interest rate)	1,816,934	900,634	104,552	(69,964)
Cross currency interest rate swaps	4,106,780	3,889,822	511,500	1,575,905
	5,923,714	4,790,456	616,052	1,505,941
Total financial instruments			610,622	1,552,141
Assets			1,220,729	2,292,859
Liabilities			(610,107)	(740,718)

Credit risk

	September 30, 2016	December 31, 2015
Cash and cash equivalents ⁽ⁱ⁾	2,981,145	3,129,530
Trade receivables ⁽ⁱⁱ⁾	813,917	799,307
Derivative financial instruments	1,220,729	2,292,859
Investment securities	-	97,222
Other financial assets	72,554	144,208
Dividends receivable	4,981	11,321
	5,093,326	6,474,447

- (i) The Company held cash and cash equivalents of R\$ 2,981,145 at September 30, 2016 (R\$ 3,129,530 at December 31, 2015). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA e A.

The position of derivative financial instruments considers the net exposure of derivatives having exactly the same flow, with the same bank, and counter signs.

The credit risk on cash and cash equivalents, investment securities, other financial assets and derivative financial instruments are determined by rating instruments widely accepted by the market and are arranged as follows:

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	<u>September 30, 2016</u>	<u>December 31, 2015</u>
AAA	-	1,116,836
AA	2,547,922	3,701,377
A	997,925	297,761
BBB	106,772	542,706
	<u>3,652,619</u>	<u>5,658,680</u>

- (ii) Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed on an annual basis and may be updated throughout the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Company's maximum exposure to credit risk for the components of the statement of financial position at September 30, 2016 and December 31, 2015 is the carrying amounts as illustrated in note 16. The Company's maximum exposure for financial guarantees and financial derivative instruments are as below.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As mentioned in Note 1, Management has been working on measures to enable the Company to honor its Commitments.

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

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	September 30, 2016				December 31, 2015	
	Up to 1 year	1 - 2 years	3 - 5 years	More than 5 years	Total	Total
Loans, borrowings and debentures	(1,920,692)	(2,246,544)	(4,691,695)	(7,593,041)	(16,451,972)	(17,936,372)
Trade payables	(1,386,895)	-	-	-	(1,386,895)	(1,544,822)
Derivative financial instruments	(111,894)	(451,305)	(14,991)	(183,237)	(761,427)	-
Other financial liabilities	(22,304)	-	-	-	(22,304)	-
REFIS	(6,802)	(5,331)	(10,574)	(8,836)	(31,543)	(34,503)
	(3,448,587)	(2,703,180)	(4,717,260)	(7,785,114)	(18,654,141)	(19,515,697)

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Company seeks to apply hedge accounting to manage volatility in profit or loss.

a) Foreign exchange risk

As at September 30, 2016 and December 31, 2015, the Company and its subsidiaries had the following net exposure to the exchange rate variations on assets and liabilities denominated in Brazilian Reais:

	September 30, 2016		December 31, 2015	
	R\$	US\$	R\$	US\$
Cash and cash equivalents	682,870	210,360	123,038	31,509
Trade receivables	13,338	4,109	16,112	4,126
Loans, borrowings and debentures	(6,003,415)	(1,849,367)	(5,894,172)	(1,509,468)
Contingent consideration	(52,392)	(16,139)	(65,064)	(16,663)
Derivative financial instruments (notional)	4,813,998	1,482,964	5,959,411	1,526,176
Foreign exchange exposure, net	(545,601)	(168,074)	139,325	35,680

Sensitivity analysis on changes in foreign exchange rates:

The probable scenario was defined based on the U.S. Dollar market rates as at September 30, 2016, which determines the fair values of the derivatives at that date. Stressed scenarios (positive and negative effects, before tax effects) were defined based on changes of a 25% and 50% to the U.S. Dollar exchange rates used in the probable scenario.

Based on the financial instruments denominated in U.S. Dollars at September 30, 2016, the

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Company performed a sensitivity analysis by increasing and decreasing the exchange rate for R\$/US\$ by 25% and 50%. The probable scenario considers the estimated exchange rates at the due date of the transactions for the companies with functional currency Real (positive and negative, before tax effects), as follows:

	Exchange rate sensitivity analysis (R\$/US\$)					
	September 30, 2016	Probable	25%	50%	-25%	Scenario -50%
At September 30, 2015	3.2462	3.5731	4.4664	5.3597	2.6798	1.7866

The external source used by the Company for market projections is the BM&F BOVESPA and Banco Central do Brasil.

Considering the above scenario the profit or loss would be impacted as follows:

Instrument	Risk factor	Variation scenario				
		Probable	25%	50%	-25%	-50%
Cash and cash equivalents	USD fluctuation	68,767	187,910	375,819	(187,910)	(375,819)
Trade receivables	USD fluctuation	1,343	3,670	7,340	(3,670)	(7,340)
Exchange rate derivatives (notional)	USD fluctuation	(4,957)	10,020	20,040	(10,020)	(20,040)
Exchange rate and interest derivatives (notional) ⁽ⁱ⁾	USD and CDI fluctuation	397,241	1,279,895	2,559,790	(1,279,895)	(2,559,790)
Loans, borrowings and debentures	USD fluctuation	(604,558)	(1,651,996)	(3,303,992)	1,651,996	3,303,992
Contingent consideration	USD fluctuation	(5,276)	(14,417)	(28,834)	14,417	28,834
Impacts on profit or loss		(147,440)	(184,918)	(369,837)	184,918	369,837

(i) For sensitivity analysis, it's only considered exchange rate swaps for Notional.

b) Interest rate risk

The Company and its subsidiaries monitor the fluctuations in variable interest rates in connection with its borrowings, especially those that accrue interest using LIBOR, and uses derivative instruments in order to minimize variable interest rate fluctuation risks.

Sensitivity analysis on changes in interest rates:

A sensitivity analysis on the interest rates on loans and borrowings in compensation for the CDI investments with pre-tax increases and decreases of 25% and 50% is presented below:

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Exposure interest rate⁽ⁱ⁾	September 30, 2016				
	Nominal amount	25%	50%	-25%	-50%
Cash and cash equivalents	369,731	92,433	184,866	(92,433)	(184,866)
Interest rate derivatives	104,552	(238,427)	(519,450)	345,927	775,238
Loans, borrowings and debentures	(1,100,664)	(257,370)	(514,741)	257,370	514,741
Impacts on profit or loss	(626,381)	(403,364)	(849,325)	510,864	1,105,113

The probable scenario considers the projections of the Company to interest rates, as follows:

	Probable	25%	50%	-25%	-50%
SELIC	12.50%	15.63%	18.75%	9.38%	6.25%
CDI	12.48%	15.60%	18.72%	9.36%	6.24%
TJ462	8.50%	10.63%	12.75%	6.38%	4.25%
TJLP	7.50%	9.38%	11.25%	5.63%	3.75%

The external source used by the Company for market projections is the BM&F BOVESPA and Banco Central do Brasil.

Financial instruments fair value

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The cash and cash equivalents, accounts receivable, trade receivables, trade payables and other current liabilities approximate their carrying amount largely due to the short-term maturity of these instruments.
- The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The market value of the Senior Notes Due 2018, 2023 and 2027 listed on the Luxembourg Stock Exchange (note 16 is based on their quoted market price as of September 30, 2016, of 95.55 % (78.71% on December 31, 2015) and 97.54% (83.83% on December 31, 2015) and 104.53%, respectively, of the face nominal value.
- The fair value of Perpetual Notes listed on the Luxembourg Stock Exchange (note 16) is based on their quoted market price as September 30, 2016 of 99.52% (79.64% on December 31, 2015) of the face value of obligations.

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- The fair value of other loans and financing, the respective market values substantially approximate the amounts recorded due to the fact that these financial instruments are subject to variable interest rates (note16).

The Company and its subsidiaries enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with observable market data refer mainly to interest rate swaps and foreign exchange forward contracts. The fair value of derivative financial instruments is determined using valuation techniques and observable market data. The valuation techniques applied more often include pricing models and swaps contracts, with a present value calculation. The models consider various data, including counterparty credit quality, spot exchange rates, forward curves of interest rates and curves of the commodity term rates.

The carrying amounts and fair value of financial assets and financial liabilities are as follows:

	Carrying amount		Assets and liabilities measured at fair value			
			September 30, 2016		December 31, 2015	
	September 30, 2016	December 31, 2015	Level 1	Level 2	Level 1	Level 2
Assets						
Exclusive funds	2,003,117	2,185,352	-	2,003,117	-	2,185,352
Investment securities	-	97,222	-	-	-	97,222
Other financial assets	72,554	144,208	72,554	-	-	144,208
Derivate financial instruments	1,220,729	2,292,859	-	1,220,729	-	2,292,859
Total	3,296,400	4,719,641	72,554	3,223,846	-	4,719,641
Liabilities						
Loans, borrowings and debentures	(4,564,345)	(4,401,745)	-	(4,564,345)	-	(4,401,745)
Pension and post-employment benefits	(357,966)	(344,334)	-	(357,966)	-	(344,334)
Contingent consideration	(146,523)	(217,377)	-	(146,523)	-	(217,377)
Derivative financial instruments	(610,107)	(740,718)	-	(610,107)	-	(740,718)
Other financial liabilities	(22,304)	-	-	(22,304)	-	-
Derivative financial instruments	(160,123)	(147,224)	-	(160,123)	-	(147,224)
Total	(5,861,368)	(5,851,398)	-	(5,861,368)	-	(5,851,398)

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Hedge accounting – Fair value

Currently the Company has adopted the fair value hedge for some of its operations that both the hedging instruments and the hedged items are accounted for at fair value through profit or loss. Operations and accounting effects of this adoption are as follows:

	Debt	Derivative	Total
At December 31, 2015	<u>2,522,772</u>	<u>(822,586)</u>	<u>1,700,186</u>
Interest amortization	(72,662)	241,521	168,859
Fair value	(293,891)	424,964	131,073
At September 30, 2016	<u>2,156,219</u>	<u>(156,101)</u>	<u>2,000,118</u>

Capital management

The Company's policy is to maintain a robust capital base to promote the confidence of investors, creditors and the market, and to ensure the future development of the business. Management monitors that the return on capital is adequate for each of its businesses.

26 Post-employment benefits

	September 30, 2016	December 31, 2015
Futura	48,559	48,414
Futura II	145	222
COMGÁS	309,262	295,698
	<u>357,966</u>	<u>344,334</u>

During the period ended September 30, 2016, the expense recognized in relation to the actuarial contributions was R\$ 18,934 (R\$ 17,006 on September 30, 2015).

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27 Share-based payment

The vesting period and share options outstanding at the end of the period are as follows:

Share option programmes	Expected life (years)	Interest rate	Expected volatility	Number of instruments			Market price on grant date	Exercise price at September 30, 2015	Fair value at grant date - R\$ ⁽ⁱ⁾
				Granted	Outstanding	September 30, 2016			
August 18, 2011 - <i>Tranche A</i>	1 to 5	12.39%	31.44%	4,825,000	(2,720,000)	1,785,000	22.98	24.02	6.80
August 18, 2011 - <i>Tranche B</i>	1 to 10	12.39%	30.32%	5,000,000	(1,100,000)	3,900,000	22.98	24.02	8.15
December 12, 2012 - <i>Tranche C</i>	1 to 5	8.78%	31.44%	700,000	(48,000)	652,000	39.80	42.08	10.10
April 24, 2013	5	13.35%	27.33%	970,000		945,000	46.51	48.23	17.95
April 25, 2014	5	12.43%	29.85%	960,000		945,000	37.10	39.24	15.67
August 31, 2015	5	14.18%	33.09%	759,000		759,000	18.15	19.94	7.67
				13,214,000	(3,868,000)	8,986,000			

- (i) The fair value of the employee share options has been measured using the Black-Scholes formula.

The number and weighted-average exercise prices of share options under the share option programs were as follows:

	Number of options	Weighted average
December 31, 2015	9,671,000	28.35
Cancellation or settlements	(40,000)	
Share options exercised	(645,000)	26.65
September 30, 2016	8,986,000	29.13

Cosan S.A. Indústria e Comércio

Notes to the interim financial statements

For the nine months period ended September 30, 2016 and 2015

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

28 Subsequent events

28.1 Approval of the sale's shares - Radar and Radar II

On October 18, 2016, CADE approved the sale of the Radar and Radar II stocks', in which Cosan agrees to sell to Mansilla part of its interests held in the companies (see note 13). On November 4, 2016 was the receipt of the sale.