

## Q1 2019 Earnings Call

### Company Participants

- Phillipe Casale, Investor Relations Executive Manager

### Other Participants

- Gustavo Allevato, Analyst
- Isabella Simonato, Analyst
- Lucas Ferreira, Analyst
- Luiz Carvalho, Analyst
- Petr Grishchenko, Analyst
- Regis Cardoso, Analyst
- Roberto Browne, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Cosan SA First Quarter of 2019 Results Conference Call. Today with us, we have Mr. Phillipe Casale, Investor Relations, Executive Manager; and Mr. Joao Arthur Souza, Head of Finance. We would like to inform you that this event is recorded and all participants will be in a listen-only mode, during the Company's presentation. After Cosan's remarks, there will be a question-and-answer session for industry analysts. At that time, further instructions will be given. (Operator Instructions) The audio and the slideshow of this presentation are available through live webcast at [ir.cosan.com.br](http://ir.cosan.com.br). The slides can also be downloaded from the webcast platform.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Cosan's management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Cosan and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Phillipe Casale. Mr. Casale, you may begin your conference call.

**Phillipe Casale** {BIO 20025617 <GO>}

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(Technical Difficulty) our 2019 earnings conference call. Before we present the results of each business unit, I would like to discuss the effects that IFRS 16 accounting standards have on the Company's results effective January 1, 2019. The IFRS 16 requires that lease agreements previously not recognized in the balance sheet be recorded by the leases. Specifically, in the balance sheet, we now recognize lease agreements as right of use, which means they are accounted for on their assets as well as lease liabilities representing the obligation to make contractual payments. In the income statement, we no longer recognize lease expenses by the installments incurred in the period, but from now it will be recognized in the result as depreciation expenses for the right of use, impacting costs and expenses.

In financial results, we also recognize financial charges related to the interest of the lease liabilities. In regards to cash flow, note that the adoption of the new accounting standard will have no impact on cash transactions. As explained in the earnings release, the impact on the EBITDA and net income of Raizen Combustiveis, Comgas, Moove and Cosan Corporativo [ph] is limited. However, the impact will be more significant on Raizen Energia during the year due to the volume of plant and machinery lease agreements impacting the business. For comparison purposes, our analysis of EBITDA presented here in this call are adjusted for IFRS 16 effect. (Inaudible) adjustment that we usually do, also the effect will not be retroactively to 2018 figures.

Now let's discuss the results, starting with Raizen Combustiveis Brazil on Slide 4. First quarter of 2019 was marked by slower economic recovery, affecting fuel demand in Brazil, in line with the revision of the market estimates for economic growth. With the end of the diesel subsidy program, prices also faced volatility again, bringing challenges and opportunities to our business. Total sales volume grew 2% in the quarter. The highlights once again were diesel and aviation fuel following market trends with greater economic activity as well as the recovery in the aviation demand. The Otto cycle measured in gasoline equivalent saw a stable sales in the quarter -- in the quarterly comparison, with strong growth in ethanol consumption versus gasoline.

Raizen Combustiveis' adjusted EBITDA totaled BRL714 million, in line with the 1Q '18 due to the higher volumes sold, offset by lower gains from the supply and the commercialization strategy in the period. We remain focused on investing in our long-term relationships with clients, efficiently managing expenses and working capital to deliver an adequate level of return in the business. In terms of investments, total CapEx in the quarter amounted for BRL277 million, including maintenance, conversion of new stations and contract renewals.

Let's move to Slide 5 that shows Raizen's results in Argentina. Let me point out that we report these results in US dollars, which the functional currency of the downstream operation in Argentina. The first quarter of '19 was relatively stable from a macro standpoint compared to the volatility in prices seen in 2018. Total volume processed by Raizen's refinery was 88,000 barrels a day at an 81% utilization rate, reflecting a more regular level after the scheduled shutdown maintenance that impacted 4Q '18. Speaking of volume, diesel and gasoline sales in the quarter were approximately 6% lower than in 1Q '18, in line with the 4Q '18, despite contraction on demand in the country.

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Aviation fuel volume continues to increase, supported by the activation of the client base and higher market share. The quarter's EBITDA stood at \$61 million due to the normalization of refining operations and an adequate commercialization pricing strategy. This result is in line with our expectations for the year. Investments in the quarter totaled \$30 million and we were mainly allocated to maintenance of the refining operation.

Now let's move to the next slide and we will present the Raizen Energia results. So this quarter in Raizen Energia basically ends the 2018, '19 crop year. Year was marked by the strong sales of own ethanol and sugar. Since the crushing was largely completed in the past -- in the last quarter and the impacts of the dry whether on agricultural yields have already been discussed, we will move straight to the sales highlights for each of the products. Starting with sugar, in accordance with our strategy, we accelerated the sales in the last quarter of the crop year, seeking higher profitability in the period. We dropped sugar inventory levels virtually to zero. The average sales price in reais was 4% lower in the quarter, but 20% lower in the crop year on average, in line with the sharp decline in global sugar prices.

On the ethanol side, the volume of the own products sold in the quarter was 11% higher than in the same quarter of last year. In 2018, this volume -- I'm sorry, in 2019, this volume grew 12% due to the increase in production volume caused by strong demand for the biofuel. The average price in the quarter in the crop year was 9% higher, yet higher than market average due to the proxy hedges against gasoline. As we power sugar strategy, this proxy hedge aims to protect the profitability and the cash flow of our business, which gaining risk is imposed by price volatility.

On the electricity, remembering that the co-generation results are impacted by the operational results of WX, our electricity trading company. So for this reason, we are highlighting own volumes sold since the operation increased its revenue, though with substantially lower margins than the sale of energy generated or electricity generated by Raizen. With that said, our own volume sold was 1% lower in the quarter, reflecting the reduced availability of the gas, in line with the lower crushing volumes. The average price of own energy or own electricity was 5% lower, affected by spot market prices that impacted non-contracted volumes.

As for the cost dynamic, it's important to highlight that this crop year was strongly impacted by the lower dilution of fixed costs due to the lower volume of sugarcane crushed as -- and the agricultural productivity, in addition to higher diesel costs. So the unit cash cost of product sold in sugar equivalent was BRL678 per ton in the crop year, up 7% when compared to the past -- the last crop year. In addition to this impact, the cost inflation and longer period of crushing in the crop year also pressured the cost this year.

Now let's move to adjusted EBITDA which stood at BRL927 million in the quarter, down 7% year-over-year. In '18, '19 crop, adjusted EBITDA decreased by 29% amounting to BRL2.9 billion, mainly reflecting the lower price and volume of sugar sold in addition to the higher cost incurred in the mid-year. [ph] As for sugar hedge, in the last few months, we have accelerated the hedges for the crop year. At the end of the quarter, we had approximately 70% to 75% of exports hedged at an average price of BRL0.56 per pound weight, 30% higher than the average price of last crop year.

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For the upcoming crop year 2020 and '21, we also advanced hedging and reached approximately 25% to 30% of the total volume to be exported at an average price of BRL0.62 per pound weight. In our view, sugar prices are pressured in light of another strong crop during the year. In Brazil, the mix of production is pointing to a higher share of ethanol once again. Raizen closely monitors price change, always seeking to seize the opportunities and improve sugar profitability by optimizing sales strategy throughout the year.

And to conclude the results presentation of Raizen Energia, investment in the quarter amounted to BRL1.1 billion ending the crop year with a total expenditure of BRL2.6 billion, in line with the guidance provided to the market. These increases reflect the higher expenses of sugarcane planting and crop renewal, as well as investment in new projects in the -- especially mentioned here, those linked to the electricity production and the asset integrity.

On Slide 6, we presented results of Comgas, and since the Company announced its results last week, we will go straight to the quarter's highlights. Natural gas volume sold in the 1Q of 2019 grew by 3%, and the highlights were the Industrial and Commercial segments, which grew, respectively, by 2% and 8%. The increase in sales is a combination of the greater demand of some industrial clients and the commercial efforts to expand the current customer base on the Commercial segment. In the Residential segment, the 4% decrease in volume sold was due to the higher average temperature in the period.

Normalized adjusted EBITDA totaled BRL499 million in the quarter, a 14% increase over 1Q '18, and mainly due to the higher volumes sold, efficient management of operating expenses and adjustment of margins to inflation. The regulatory current account of Comgas ended the quarter with a balance of BRL313 million in favor of Comgas due to the change in gas prices in the period. Lastly, Comgas adjusted BRL181 million in the quarter, keeping its commitment to the investment plan.

Looking to next slide, where we will discuss lubricant operation and Corporate segments. So starting with the lubricant, the improvement performance of the sales in Brazil and the other countries where we operate caused an increase in the EBITDA which stood at BRL81 million in the quarter. Lubricant sales volume grew by 9% compared to the 1Q '18 in other countries where we operate. Before discussing quarter results, at its close to the market last February, I would like to reiterate that the capitalization of CVC Fund into Moove has been concluded, and CVC now owns 30% stake in the business.

Now we will discuss the Corporate segment. The Corporate structure's G&A expenses totaled BRL37 million due to the higher concentration of expenses in the period, while the operating revenue reached BRL12 million in the quarter impacted by the gain on the back of incorporation of Usina Santa Luiza spun-off portion as announced in December '18.

On Slide 8, we have the consolidated results for Cosan SA pro forma considering 50% of Raizen. Cosan adjusted EBITDA grew by 11% in the quarter reaching BRL1.5 billion, while adjusted net income amounted to BRL384 million [ph] in the quarter. Those increases are mainly due to the improved operational performance of Comgas and Moove as well as

the consolidation of Raizen Combustiveis in Argentina results, which were not presented in the same period last year.

On the next slide, we highlight the main impacts on cash flow, starting with operating cash flow. Before going into the 1Q '19 figures, it's important to bear in mind that the first quarter of last year was strongly affected by the cash inflow of BRL1.3 billion at Cosan originating from the sale of credit rights. Adjusting this impact, Cosan's operating cash generation on a pro forma basis would be higher than the year ago period. The highlight was Raizen Combustiveis mainly due to the supply dynamics in the period, which resulted in longer payment terms and higher OCF in the quarter.

In cash flow from financing activities, the highlights is the BRL1.7 billion raised by Cosan through the issue of debentures to finance the tender offer of Comgas preferred shares, as well as its cash disbursement in the period. At Moove, as previously mentioned, there was BRL434 million injection from the CVC Fund for the acquisition of 30% stake in the business. So this led to a cash generation of BRL1.7 billion in the quarter. The pro forma gross debt which reflects 50% of Raizen grew by 7% in the quarter at an average cost of 104% of the CDI or 110% of the CDI to exclude the Raizen figures.

Lastly, I would like to point out that the leverage normalized by Comgas current account effect is also by the leases from the IFRS 16 impacts. Ended the first Q '19 at 2 time the pro forma net debt/EBITDA. Before concluding the presentation, let me say that we published our guidance in March. The results that we just presented in the quarter are in line with our projections and once again, point to a strong growing results across all business units.

So this concludes the presentation, and we can now move forward to the Q&A session, and thank you all.

## Questions And Answers

### Operator

Thank you. We will now begin the question-and-answer session. (Operator Instructions)  
Our first question comes from Isabella Simonato, Bank of America.

### Q - Isabella Simonato {BIO 16693071 <GO>}

Thank you. Good morning, Phillipe and everyone. Two questions on my side. First of all, in Argentina, we understand that this quarter results were pretty solid. But can you update on what sort of challenges are you seeing in the business considering the tough macro situation? And if you see any risk to the guidance in terms of EBITDA or margins for this year? And the second one, on fuel distribution in Brazil, we have been seeing probably the economy hasn't been as strong as expected, neither has mix started to improve, so any risk on that side as well in terms of what you're looking for 2019 regarding volumes and margins?

Thank you.

## **A - Phillipe Casale** {BIO 20025617 <GO>}

Isabella, thank you for the question, and I'll start with the first one. So we saw in Argentina a quarter that was much more aligned to what we were expecting, actually. So if you take a look at our previous quarter, the 4Q '18, we had an impact not only in the inventories due to the sharp drop of oil prices, but also the maintenance stoppage that we had in that period. So obligated us to originate more products and pressuring margins in the fourth quarter of '18. So we're much more normalized now on the operational side.

So the refinery utilization reached the higher rate, as you can see on the results, which is close to 80% to 85% of utilization. And it's much more aligned to what we will really expect. So we will still see volatility in the commodity prices and effects throughout the year. This is an election year in Argentina, so volatility will be present. But we have provided a range in the guidance which is between \$210 million to \$260 million that is ready to absorb any impact of volatility. So this is for Argentina.

And now for Brazil, we have seen in the beginning of the year, some preliminary signs of recovery. So it was important to see some better performance on Otto cycle at some point in time in the quarter. On the other hand, we also saw pressure on demand over the course of the quarter that had directly impacted by the volumes of the -- affecting the volumes of the industry. It is explained by not only the reduction of the level of consumer confidence, increase of the level of unemployment rate and some revision of the GDP growth for the year, as we have been seeing in the market.

So there was volatility this quarter in the prices of diesel, right, after the end of the subsidy program, and that's on gasoline and ethanol, which obviously challenges an opportunities for our supply and the commercialization strategy. So we are pre-aligned as of now with the guidance we provided. We kept the same -- we're keeping the same kind of growth for the year, which is basically adding 1 billion liters of volumes throughout 2019 and keeping with consistency of our strategy. So this is at least the name of the game for Raizen Combustiveis as we have been speaking to the market more recently.

## **Operator**

Next question comes from Gustavo Allevato, Banco Santander.

## **Q - Gustavo Allevato** {BIO 18933135 <GO>}

Hi, Phillipe. Good morning. So I have two questions. Just a follow-up regarding the Raizen Argentina. So you mentioned in the press release that the results are not updated. So I'd like to know when the Company will release the updated results. And based on the previous question, you said that you are reaching a more normalizing situation with increasing the refinery utilization rate. Like what we're saying here (inaudible) right now, are dropping the fuel consumption, how does the Company expect to have like utilization of the refineries there for the rest of the year? And the second question is regarding the sugar and ethanol business, so if you could provide an update, how are the weather conditions in Company's key locations so far year-to-date? Thank you.

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## **A - Phillipe Casale** {BIO 20025617 <GO>}

Gustavo, thanks for the question. So actually, the previous results of the Raizen Combustiveis in Argentina, we actually do not have it because it wasn't -- we didn't have the carve out of the business for the previous year, right? So this is of the Shell results. So what we can provide, and we're providing, is the volume sold because this is a number that is out in the market. So the result itself, we will keep providing and creating a track record from now on. In regards to the utilization rate of the refinery, we think that the regular levels in between 80% to 85%. So probably in the beginning of January, we were still coming back from the stoppage we had in the fourth quarter. And throughout the year, we should reach in average, again, somewhere in between 80% to 85% of utilization rate.

And your last question was about the crop so far. So we have been seeing a slightly better weather compared to last year. So we're probably going to see slight increase in crushing when compared to previous years. We're talking about roughly 5% increase, which is the average point of the crushing guidance that we provided. In regards to the mix, we're probably going to see a mix very similar to what we saw in 2018, so somewhere around 50-50 or with a little bit more or less of one or the other product depending on what we see as opportunities and profitability for each product. And this is a recurring theme indeed throughout the crop, taking all the things we have to mitigate the volatility of the commodity price. So focusing on profitability, focusing on cost reduction and this is what we should expect from Raizen Energia in 2019-'20 crop.

## **Q - Gustavo Allevato** {BIO 18933135 <GO>}

Thank you.

## **Operator**

Next question comes from Luiz Carvalho, UBS.

## **Q - Luiz Carvalho** {BIO 18040760 <GO>}

Hi, Phillipe. Basically I have two questions here. The first one is, just if you can share what are the next steps regarding the Comgas movements on the (inaudible) announcement after the deal that you just announced? And the second one is related to the fuel distribution business in Brazil, right? I mean, we are seeing a good higher competition from the exit of smaller players. I mean, Raizen just lost one relevant contract with 62 gas stations to BR Distribuidora. I just would like to try to understand what's your take in terms of the recent news in terms of competition and in terms of the strategy of the Company? How to, I'd say, fight against (inaudible) these new players who are coming also, like Vitol, like Glencore, and so on, that will be helpful? Thank you.

## **A - Phillipe Casale** {BIO 20025617 <GO>}

So Luiz, thanks for the question. If I'm not wrong your first question was in regards to the tender offering -- voluntary tender offer for the Comgas common shares. So we actually wanted to give the same opportunity we gave to the preferred shareholders of agreeing to this tender offer. We see a lot of value in Comgas, and this is, of course, one of the

reasons that is (inaudible) to increase our stake in that company. So the idea to do the common share tender offer is the same as the preferred one, so just giving the same right for the common shareholders.

Your second question in regards to the fuel distribution strategy, well, let me take you through just what we had in sales. So since the formation of Raizen, we put a lot of effort and focus on managing in the most efficient way the business, which is the backbone to the consistency in this performance you've been seeing in Raizen throughout the years, right? So it's a matter of connecting and seeking the best co-owners with an adequate profitability, and this is quite important for us in terms of measuring the performance of the business. So if you look at market share, for example, we actually have increased our market share. So this consistency of this strategy is actually yielding the results not only in terms of the volumes, right, of the performance, but also in terms of having another great profitability. So consistency here is what we are implementing in the early days of the business in order to capture the results.

**Q - Luiz Carvalho** {BIO 18040760 <GO>}

Okay. So if I just may make one third question, sorry about this. Regarding Argentina, we recently saw that the government announced some price freeze and gasoline and diesel were not included. But at the end of day, when the companies are basically passing through the price to the final consumer, we've seen a kind of a setback in terms of volumes, right? Volumes are dropping significantly over the past couple of months when you compare year-over-year. Just would like to try to -- I don't know, understand what are the recent trends that you're seeing in the local market in terms of the specific price dynamics versus the volume behavior? Thank you.

**A - Phillipe Casale** {BIO 20025617 <GO>}

Luiz, so as I mentioned in the previous question, so this is an election year in Argentina. We have seen this early economic volatility that is affecting the business. The fuels were not included on the package of price freeze. So there will be no direct impact on that. But, of course, we should take a very close look and work very hard to deliver the results and - - because this is going to be a year of volatility, but again, the first quarter results are pre-aligning the guidance, which again has a range that can absorb a lot of this volatility.

**Q - Luiz Carvalho** {BIO 18040760 <GO>}

Okay. Thank you.

**Operator**

Next question comes from Roberto Browne, Morgan Stanley.

**Q - Roberto Browne** {BIO 20545565 <GO>}

Hi. Thank you for the question. Another one on Raizen Combustiveis. I was wondering if you could provide more details on your EBITDA per cubic meter, especially because it's hard to compare to the margin of peers because of mix. So I was just wondering, how you -- what you usually do to compare your margins to competition. And also, I was wondering



if you could help us understand the impact of the higher oil prices in your inventories and how that could have helped margins in this quarter? And another one, on the lubricants business, I was just wondering, if you could -- actually, if the guidance looks conservative considering what happened in the first quarter, the results were pretty strong in terms of volumes and now that you have the business more capitalized, if we could see even more upside to that? Thank you.

**A - Phillippe Casale** {BIO 20025617 <GO>}

Roberto, thanks for the question. So starting with the last one, in terms of the lubricants business, so we have been expanding our business in other geographies, based on the same model, which is using our contract with (inaudible) model to be distributing lubricants in other countries, so not only finished lubes, but other products as well. But this has been growing in the previous -- or in the last 12 months, actually. So not only the new business but also the maturation of the business impacting the volume. As of now, the guidance -- the number that we provided in the first quarter is pre-aligned with the guidance, right? So you should expect the same range. I think that's it for the lubricants question. So in terms of the margins, what I can explain you is lower margins, right? So what is embedded there is all the supply and the commercialization strategy gains, which is basically using imports as part of the supplier -- of our network on the commercialization side being ready, as I said, to get the adequate returns that the business should have.

And connected to your second question, inventory gain and losses is part of the game, right? With the price policies of Petrobras, which is the main supplier in the country, following the national parity, we always see an opportunities in terms of imports, in terms of managing inventories in the right way to get again the adequate return. So we do not disclose what is the breakdown between imports and inventories because again pricing is part of the -- is a recurring part of the business.

**Q - Roberto Browne** {BIO 20545565 <GO>}

Thank you.

**Operator**

Next question from Petr Grishchenko, Barclays.

**Q - Petr Grishchenko** {BIO 19084897 <GO>}

Hi. Good morning and thanks for taking my questions. I wanted to ask maybe a strategic question. Considering Petrobras announcement of selling, I think something like eight out of 13 refineries by the 2021, actually this is according to the latest plan. I'm wondering how you guys are thinking of landscape for distribution business. And whether you intend to participate in acquisition of some refineries such and so forth. How would you intend to finance those transactions?

**A - Phillippe Casale** {BIO 20025617 <GO>}

Hi, Peter. Thanks for the question. I'll actually not answer your second question in terms of the finance because there is no numbers, no evaluation or anything in that front. But what I

can tell you, as an important player in this industry, we have the obligations to look at all the change, right, so all the opportunities that are out there. What I can tell you is that we are not looking at anything as of now, but if there is a divestment plan with certain assets, for sure we must look at it. It's part of our business, but that's it. There is no development as of now.

## Operator

Next question from Regis Cardoso, Credit Suisse.

### Q - Regis Cardoso {BIO 20098524 <GO>}

Hi. Good morning, philippe, good morning, everyone. Phillipe, first question regarding Raizen Combustiveis, very simple question. Why were margins down quarter-on-quarter despite the increase in prices? I mean, shouldn't we expect inventory gains in the first quarter '19? Is there any specific downward pressure to margins in this quarter in comparison to the past one? So that's the first question.

Then moving on to Raizen Energia, also in terms of results, so EBITDA was up 11% quarter-on-quarter, again, so quarter-on-quarter comparison. That is despite sales volume for sugar up 140% and over 20% for ethanol, also with higher prices, 17% above for sugar and 4% above for ethanol. So my question is, shouldn't Raizen Energia EBITDA have increased more on a quarter-on-quarter comparison? Is there any specific cost pressures in the first quarter or any specific gains that were previously in the fourth quarter results that make this comparison, I mean, not work very well?

And then finally, if I may, just one final question on imports of gasoline and diesel in Raizen Energia. It called our attention the size of the imports relative to the total revenues and COGS. So if you could just explain why is diesel and gasoline imported through Energia -- for Energia. I believe it's related to some trading company incorporated by Energia. And how do you choose the transfer price between Energia and Combustiveis? So what I wanted to know is, what if most part of the gains and losses on gasoline and diesel imports are part of Combustiveis' results or part of Energia's results? Thanks.

### A - Phillipe Casale {BIO 20025617 <GO>}

Hi, Regis. Thanks for your questions. So I'll try to address all of them here. So the first one, in terms of the margins in the fuels, basically what we had explained already, so the supply and the commercialization strategy which involves a lot of things on that is part of the game. We do not disclose what is the import gains or what is the inventory gains or losses, but -- this, of course, has impacted the results as well as the part of the commercialization strategy. So this is one thing that I want to clarify here for the fuels. But again, we keep the consistency of delivering the best results focusing a lot when we're in long-term relationship with our network which will lead us to deliver superior results. So this is an important feature for the fuels.

On the sugar and ethanol, in terms of the lower EBITDA, and I'd like to just -- I talked about -- a little bit about that on the call, but I want to take you through a couple of things here that have also impacted the costs in addition to the sugar prices, right, which was

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one of the main impacts on the sugar and ethanol business. So we had a lower dilution of the fixed costs due to the impacts on yields -- agricultural yields in addition to an extension of the crushing period this year. So this is something that we actually show in our consolidated that impacted roughly BRL1 in the CCP account or the CLT account, which is the cutting, loading and the transportation cost. So this has added almost BRL1 -- BRL1 per ton more than what we used to have.

The other thing is the higher diesel costs, which by our calculation, here also had almost BRL1 per ton on the cutting, loading and transportation cost. So those two or actually those three things pressured quite a bit the cost this year. And also, we have to include the inflation cost. And specifically this quarter, we have higher sale of sugar and ethanol of our own products, right, our own sugar and own ethanol, which impacts the selling expenses as well. So with these prices and those costs and expense effects that impacted the Raizen Energia results.

And third question, this is something we have been answering in the previous calls, there is one entity within the group that imports oil derivatives, the gasoline -- we're talking about gasoline and diesel. And this company is consolidated by Raizen Energia. And this company imports and sells transfer cost and is total arms length market price cost to Raizen Fuels. So for Raizen Fuels, we should expect this as part of the supply, right, and for Energia, due to this operation with a company that is consolidated by Raizen Energia. So this is basically what impacted.

**Q - Regis Cardoso** {BIO 20098524 <GO>}

Phillipe, if I may just a follow-up on the last answer. So can we know for sure, I mean, is it by some way in construction that most part of the gains and losses on the derivatives trading, so -- and the imports of gasoline and diesel will be part of Combustiveis or will be part of Energia or depending on when you do the transfer from one entity to the other, we could see the results of that operation on either company?

**A - Phillipe Casale** {BIO 20025617 <GO>}

Regis, so you should see Raizen Fuels using its supply strategy, buying products not only from Petrobras, but using the trading opportunities within the markets. So this is part of the supply strategy of Raizen Fuels.

**Q - Regis Cardoso** {BIO 20098524 <GO>}

Okay. All right. Thanks.

**Operator**

(Operator Instructions) Our next question comes Lucas Ferreira, JP Morgan.

**Q - Lucas Ferreira** {BIO 16552031 <GO>}

Hey, Philippe. Just a very simple clarification. I just wanted to understand why this quarter there was such a big difference between the moves in the EBITDA per cubic meter in the

Raizen Brazil, Combustiveis Brazil compared to the EBIT? So EBIT declined 13%, EBITDA 5%. So just wondering why there was such a big difference, especially quarter-on-quarter the difference was even larger when I compared the changes between EBITDA per cubic meter and EBIT per cubic meter? Thanks.

**A - Phillippe Casale** {BIO 20025617 <GO>}

Lucas, we have to dig in the differences here. I don't have the breakdown in front of us here. We can follow up on that. We have to dig in the numbers here and discuss what -- assessing the impacts between the lines.

**Q - Lucas Ferreira** {BIO 16552031 <GO>}

All right. No problem. Thank you.

**Operator**

(Operator Instructions) Thank you. That concludes the question-and-answer session for investors and analysts. I would like to pass the floor to Mr. Phillippe Casale.

**A - Phillippe Casale** {BIO 20025617 <GO>}

Well, thank you all for attending the first quarter conference call, and I hope to see you in the next opportunity. Thank you.

**Operator**

Thank you. This concludes the conference call for today. You may disconnect your lines.

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