

Q3 2021 Earnings Call

Company Participants

- Ana Luisa Perina, Investor Relations Manager
- Luis Henrique Guimaraes, Chief Executive Officer
- Marcelo Martins, Chief Financial and Investor Relations Officer

Other Participants

- Bruno Montanari, Analyst
- Cristian Audi, Analyst
- Gabriel Barra, Analyst
- Isabella Simonato, Analyst
- Luiz Carvalho, Analyst
- Regis Cardoso, Analyst
- Thiago Duarte, Analyst

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for waiting. Welcome to Cosan's Third Quarter 2021 Results Conference Call.

Today with us, Mr. Luis Henrique Guimaraes, Cosan's CEO; Mr. Marcelo Martins, Cosan's CFO; Mrs. Paula Kovarsky, Head of IR and EESG; Mr. Joao Arthur Souza, Head of Finance; and Ms. Ana Luisa Perina, IR Manager.

We inform that this event is being recorded and simultaneous translation into English is available. During the event, all participants will be in listen-only mode. After that, we'll start the Q&A session, when further instructions will be given. Today, we have a simultaneous webcast that can be accessed at the website www.cosan.com and the slide presentation is also available at our website to be downloaded. The audio with this conference replay will be available on the website.

Before proceeding, we would like to say that forward-looking statements that might be made in this presentation regarding the company's business prospects, operating and financial projections and goals are based on beliefs and assumptions of Cosan's management as well as and information currently available to the company. Forward-looking statements are not guarantee of performance. They involve risks, uncertainties, and assumptions as they relate to future events, and therefore, depend on circumstances that may or may not occur. General economic conditions, industry conditions, and other

operating factors may affect the company's future results and may lead results to differ materially from those expressed in such forward-looking statements.

Now, I would like to turn the floor to Ms. Ana Luisa. Please, Ms. Ana Luisa. The floor is yours.

Ana Luisa Perina

Good morning, everyone, and thank you for joining Cosan's third quarter of 2021 earnings conference call. For the Q&A session are also present Luis Henrique, our CEO; Marcelo Martins, our CFO and IRO; Paula Kovarsky, Head of IR and EESG; Joao Arthur, Finance Director.

Since this is the last public conference of the year, we have a full house here. Let's start [ph] the presentation going over the financial and operating highlights per business beginning with Raizen. Last Friday, the company already hosted its own conference call with the market, thus I'll briefly go over the main topics of the quarter. Raizen posted record results in a pro forma basis, i.e., considering Raizen's [ph] figures from April 1, 2021 and also addressing previous quarters for a fair comparison.

First, Renewables on Slide 4. Once again we posted significant EBITDA growth driven by an improved pricing environment, especially for ethanol. We offer a unique ethanol portfolio of diverse application, therefore, addressing different markets and sustaining competitor advantages. Lower sales volumes of own [ph] products, however, reflect our sales strategy for the crop, as well as the drop in production following the relevant crop setback at the center-south region in Brazil, impacted by the intense drought besides fires and frosts.

Nevertheless, Raizen's efficiency journey continued steadily on track represented by a higher Agroindustrial performance compared to the market, partially offsetting the climate issue. In addition, the typical volatility of CNG [ph] spot prices has contributed to improved results in bioelectricity.

Now let's move to Sugar on Slide 5. The segment faced similar effects in the quarter compared to the Renewables, posting lower volumes sold yet with improved prices. Most of sugar production this year will be shipped along the second half of the crop year according to our sales strategy, leveraging on our infrastructure and efficient pricing to maximize profitability and protect cash flow.

On the bottom hand side of the Slide 5, we present consolidated CapEx of Raizen's Agroindustrial operation. The expansion was driven mostly by higher inflation on cost of input, on top of additional investments targeting for distributed recovery.

Now, let's go into Marketing & Services on Slide 6. Higher sales volumes year-on-year and quarter-on-quarter reflect a stronger recovery in demand reaching pre-pandemic levels. Adjusted EBITDA was aligned to previous year, implying decent profitability. The slight

drop compared to previous quarter is due to gains from our supply strategy affected by atypical price movements in the period.

Regarding the other important pieces of our Marketing & Services integrated platform, here are some updates. In proximity, we continue to accelerate the pace of opening, adding 138 new stores to our network in the last 12 months. In Shell BOX, numbers keep skyrocketing up to almost 4 million transactions in September. And as already announced, we closed the acquisition of Paraguay, leading fuel station network, so we will start to consolidate it beginning on the next quarter.

Continuing with this presentation with Compass on Slide 7. EBITDA was positively driven by economic activity boosting Comgas natural gas demand. The pass-through of inflation last May also contributed to record results in the quarter. Once again Comgas posted impressive distributed volume growth across all segments. Besides the macro scenario boosting performance, the commercial segment benefited from the lower restriction. And residential consumption was leveraged by lower average temperature, plus consistent customer base expansion.

In terms of CapEx, the increase is mostly due to the start-up of the re-gas terminal construction in Sao Paulo inline with guidance. Before moving to the next slide, I'd like to highlight the relevant milestones achieved by Compass during the quarter. First, Comgas, in the State of Sao Paulo signed the extension of Comgas concession until 2049 as provided for by the concession contract. This will allow us to continue making investments to ensure gas supply, competitiveness, safe operations, and customer satisfaction. Second, in line with the Gaspetro acquisition strategy, we have acquired 51% of Sulgas equity, taking all of our experience to Rio Grande do Sul. And not necessarily in this order, aiming to ensure the right capital structure and enable Compass expansion, we've placed a second round of private investment.

Moving on to Slide 8 to present Moove's results. We had yet another great quarter at our lubricants business posting decent EBITDA. The drop between quarters, however, implies a strong comparison basis once we captured additional demand from initial lockdown period. Even though the business continues on track to deliver above expectation capturing benefits from the commercial and supply strategy influencing the company to review its guidance, increasing again the EBITDA forecast for the year.

Moving on to Slide 9 to talk about Rumo. Since Rumo hosted their conference call with the market as well, I'll quickly reflect the main effect of the quarter. EBITDA was harshly hit by the corn crop setback. The lower demand for grain price has hit [ph] transported volumes on both North and South operation. This also pressured margin due to its lower [ph] weighting payout mix. Even in this challenging scenario, Rumo gained 17 basis point market share in the Port of Santos in the period reflecting the commercial efforts to maximize the optimization of its operational capacity. Although, average tariff has extended year-on-year, it wasn't enough to offset variable cost increase i.e., diesel and lower dilution of fixed costs. Investments were lower in third quarter evidencing capital discipline during the tough short-term environment. Looking to the long-term, we are confident that the business strategy is on track. We have taken an important step by signing the contract to build Brazil's first state railway with the State of Mato Grosso,

thereby connecting us to Cuiaba and Lucas do Rio Verde providing further support to the flow of agribusiness exports.

Let's go to Slide 10, where we present consolidated figures for Cosan on a pro forma basis. Even though our portfolio faced many challenges related to climate issues on Brazilian agribusiness and macro volatility, we kept our consistent track record to deliver above market average and posted a record high EBITDA in the quarter. The levers for the structural recovery of the economic activity, a more favorable scenario for renewables and sugar prices, the consolidation of Biosev, helping us to our ability to generate sustainable returns. Besides the extraordinary effects related to Raizen's IPO boosted net income for the period reaching the highest mark on Cosan's history.

Moving on to Slide 11, to discuss the financial highlights for the Group. Regarding debt, with this liability management across the board with important issuance mainly at Cosan Corporate, Rumo and Compass. Leverage reduced 2.1 times net debt to EBITDA, within ideal level for the Group driven by greater EBITDA on the last 12 months.

On cash flow, the better net operational performance of the business was offset by the build up of inventories and working capital pressure at Raizen reducing operating cash flow on the quarter. Investing cash flows included the payment of Biosev's acquisition and a higher spending aligned with subsidiaries' investment plan. Financing cash flow however recorded significant expansion boosted mostly by the proceeds from Raizen's IPO and Compass private placements supporting a free cash flow to the equity equivalent in amount of BRL8 billion. Those were the main topics from last month for our permanent portfolio. We achieved the important milestones besides posting consistent results.

Moving to Slide 12, as a holding, the main highlight is the creation of Cosan Investimentos, our new vehicle for the sustainable capital allocation process of the Group. The goal is to invest in new business models that can be scaled up by our ecosystem focused on sectors where we had competitor advantages, track record and opportunities that connects with digital and innovation. To lead this new initiative, we designated Leonardo Pontes, former Raizen the Chief of Marketing & Services. Among the contributions from Cosan Investimentos, we announced to the market, the mining JV, the purchase of an additional stake at Radar, the investment in the Climate Tech Fund, and more recently, we entered into mobility with the Mobitech JV partnering with Porto Seguro.

Last, but not least, before concluding my presentation, I will just go over the recent developments on our EESG agenda on Slide number 13. Cosan, represented by our CEO, along with over 100 other entrepreneurs, has joined the Business Manifesto for Climate Action, an initiative led by the CEBEDS to position Brazil, as a true green power. Also, as I mentioned earlier, we contributed through Cosan Investimentos to the Climate Tech Fund, a fund managed by Fifth Wall one of the largest venture capital managers specializing in the technological innovation. This fund invest in companies that promote technology and solutions to tackle climate change. This allow us to partner with entrepreneurs, startups and investors who, like Cosan, are committed to decarbonizing the economy.

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Rumo issued another Sustainability-Linked Bond strengthening its commitment to reduce GHG emissions within ambitious target as classified prices being allotted. On the financial perspective, this issuance was the lowest yield ever for Rumo reducing the cost of capital for the company.

And finally, Raizen made great progress on the development of its renewables agenda further expanding its portfolio of cleaner energy. I hope you were able to watch Formula One during this weekend, where we launched a Ferrari running on second generation ethanol. Over the past month, Raizen signed an agreement to supply biomethane to Yara in a pioneer long-term contract. We also won an auction to sell bioelectricity for the next 20 years. We announced a JV with Grupo Gera to enlarge and accelerate our portfolio of distributed generation. Raizen also established a key partnership with Volkswagen and Shell that contemplates initiatives that targets to reduce GHG emission, mainly by encouraging the usage of ethanol among others.

EESG principles are indeed the strategic guidelines for Cosan Group. Our actions reiterate our commitment to the decarbonization of the value chains where we operate and to the sustainable development of Brazil.

With that, I conclude my presentation. I would like to hand over the call to our CEO, Luis Henrique for his opening remarks. After that you may start the Q&A session. Thank you.

Luis Henrique Guimaraes {BIO 17984872 <GO>}

Good morning, everyone. Thank you very much for being with us. It's great to be with you. So look at our third quarter results Ana covered many topics. I just would like to point out some of the topics. First, we have gone forward in the group restructuring that we have been talking to you for a while now with raising appeal [ph] private leasing of Compass and several activities that were carried out that are part of our long-term view. We started Sulgas with extended north grid and Rumo established Cosan Investimentos, and several other investments and initiatives in our Group.

So it's very important to have a structured portfolio with the management focus ensuring funding and analyzing and having focus on our long-term activity. That was an important step. Also important to highlight that we announced three major actions for Cosan Investimentos. As planned, we are bringing in Leo Pontes to be the head of that area to structure these projects. That's very important to focus on the dedicated execution of these three projects that were announced. That's an important topic in our agenda.

We had a record EBITDA, as you have seen and we still have some important topics, a positive perspective for crops next year that has a positive effect in Rumo's and the Raizen's businesses. We are back in mobility with vaccination, which is very important for our business both for Compass, Moove and Raizen, our carbon agenda that is even stronger. And that's important for the energetic transition that is even stronger in the companies and the government's agenda that we see that very -- that's a very important topic. And also we have changed some people at Raizen that consolidates our internal

pipeline and we have opportunity for people to grow focusing on the importance on the commercial area and also supply chain areas.

So it's important to hear your questions and we are here me, Marcelo, and Paula with Ana and we are available to take your questions now. Thank you very much. So now we will start the Q&A session.

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Questions And Answers

Operator

(Operator Instructions) Our first question is from Isabella Simonato from Bank of America. Please, Isabella?

Q - Isabella Simonato {BIO 16693071 <GO>}

Good morning, everyone. Can you hear me?

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

Yes, we can hear you very well.

Q - Isabella Simonato {BIO 16693071 <GO>}

Good morning, Luis. Good morning, Marcelo. How are you? Thank you very much for the call. My question is about capital allocation, and Luis, it's important to mention about the pace of Cosan Investimentos, and now probably, we will see a pause there. And out of the investments that you are announcing, maybe they have different CapEx plans and at the same time with the growing business and improving cash generation and EBITDA, I understand that the leverage of Cosan as a whole probably is not going to be too far from what we have seen now or maybe even going down with the EBITDA increase. Considering that, and once again based in Cosan Investimentos, we will not see us such an accelerated pace. How are you looking at shares? We see Cosan as a holding and how -- what are you thinking in terms of capital allocation within the Group?

A - Marcelo Martins {BIO 16440115 <GO>}

Hello, Isabella. This is Marcelo. Well, Luis, quickly talked about our investment strategy by Cosan Investimentos. I just would like to have a quick recap. Cosan Investimentos, this investment arm that we call non-perennial assets, that is something that we had discussed with the market. It was very much in the beginning, but a while ago, we were already for a while discussing our investment opportunities that have been carried out and what happened is that when we believe that this progress would happen, we would be ready to announce Cosan Investimentos. Remember, this is another step in the improvement of the Group, which started with the corporate restructuring. So we are, in fact, at the moment where we have announced the most relevant transactions that were ongoing, so the market should expect a deceleration. Now, we do not expect to continue that level of announcement that just to make it very clear.

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Second, we always want to focus on capital structure. This is a Group's priority. Our main priority here is risk and exposure management that is for holding. The main objective and the creation of Cosan Investimentos involve that we have an objective, which is not having this company to leverage, we are at a comfortable level at 2. 2.5 times -- reaching 2.5 times, that's not a comfortable level for us. Close to 2 times, it's good for us because we are then at a more efficient capital allocation level that is not going to change. We will be buying back. We see now the price of the shares that's much lower than what we believe is reasonable and the consequence of that is will be an acceleration of shares buyback for a few reasons we had to stop. We were at a stage where we are preparing ourselves for our results, but now we want to focus in the restructure [ph] v of the Group, exposure structure, capital structure, leverage and buyback. As a financial management of the holding, these are our main objectives as of now.

Q - Isabella Simonato {BIO 16693071 <GO>}

That's very clear, Marcelo. Thank you.

Operator

Mr. Thiago Duarte from BTG Pactual has a question. Please, Mr. Thiago.

Q - Thiago Duarte {BIO 16541921 <GO>}

Good morning, Luis, Marcelo, Paula, and the whole team.

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

Good morning, Thiago.

Q - Thiago Duarte {BIO 16541921 <GO>}

I have two questions. First focused in one of the recent announcements, which was -- increase of stake at Radar, I would like to know what changes in Radar, that you are reacquiring or acquiring again significant position from the Radar that you divested in the past. In terms of capital needs, Radar is or was a real estate company, tapping into the real estate gains from rural areas or agricultural areas. I would like to understand what it should be from now on? And how that is driving your needs or dividends payment, or how that is going to behave from now on compared to what it was in the past for Cosan?

And the second question, there's some broader discussion, in your presentation, you talked about tapping into valuing the ecosystem. When we look at it, we can think about different combinations or communications among the different businesses. And we can think about Payly, Rumo, Mobitech or a number of consumers, the companies, such as Compass and Raizen's access on a daily basis, we can think a lot of -- we can think about a lot of possibilities. And most of these assets are not only held by Cosan. They -- you have a number of partners in the different businesses. So, when you think about that in an ecosystem, it's not as trivial as you could imagine. So, we have each one of these areas as independent and separated. So, if you can comment on that please. How can we think about that in terms of ecosystem, and the benefits of having an integrated ecosystem in terms of synergy, sharing best practices and from -- for that for now on? Thank you.

Bloomberg Transcript

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

Thank you very much, Thiago. Let me talk about the ecosystem and then Marcelo will talk about the Radar, and he will explain funds and so on. So first, I think the idea of our Group, Thiago, and you well know it, we have business independence with focus on management and governance. We started building the last periods a process of interdependence, where it makes sense to work together, we work together. So, I'll give you a few examples that not necessarily involve monetization, but they have to do with best practices. For instance, information security, and this is a very dear topic for all companies in Brazil and in the world where we have made a huge revolution and restructure and the process, since we had that attack last year. We had a robust structure, in our opinion, but we did learn that we needed to improve and we put a lot of efforts into that and that was a joint effort and all the companies in the Group benefited in the process. We had scale to have the best professionals so that we use some technical language here, we have (inaudible) the Chief Information Officers and the Business Information Officers are with the security officers with the common back-office areas, the defense team is also common and also monitoring -- operation monitoring team that was in common. So obviously every one shared from the know-how benefit and also accessibility cost.

If I turn to the other side, when we are looking at how to work with the client base we, of course, have to follow the data protection law. And also, we always have to have a shared benefit with all the company, so we have transactions, internal contracts and part of the -- results are allocated to the companies that are part of this initiative. So it is a lot of work, of course, but also we have to have discipline and make sure that we have value in each one of these operations. So we are looking at it as a whole. We are making interfaces with all the companies, so that we respect governance and participation of other partners. And I think this is a partnership that we developed over the years, a huge transparency with all our partners, and I can call them private partners or partners in the market. So, I think you will see that more and more we have initiatives in these areas, but all sharing, the companies that are participating are benefiting from the process.

And another example that seems to be small, but with great potential with joint purchase, this is a huge advancement that we have made in this last year. So services, for instance, that can be contracted jointly, materials, all of that has been coordinated among the companies without us needing additional structure for that. So we have independence with interdependence generating important results and that are considered in the bottom line and in the top line, generating more revenue results and also bringing us cost reduction. And we already have results delivered in the last 12 months.

Marcelo?

A - Marcelo Martins {BIO 16440115 <GO>}

Hello, Thiago. Very well. When we announced Cosan Investimentos, our idea was to make it clear to the market that first that portfolio would be separated from the perennial portfolio in the Group, which are the business verticals that are relevant, already established that have become incumbent players in each one in its respective sector. And what we wanted also was to reach the ability of raising capital to have flexibility in the

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financing of these opportunities without diluting Cosan shareholders' value. So we did not want Cosan to become just a source of funding to invest in new businesses. The way that we established Cosan Investimentos, we can have two things. First, the ability of raising funds and financing businesses independently. And second, the possibility of having spin-off of these businesses separately or collectively as we believe that we are in a certain maturity level and it makes sense for the businesses to be out of our permanent portfolio if that's the case. We always said, this is an opportunistic view. Whenever we believe there is a leveraged opportunity, some synergies with the group without generating conflict, and that we have the capacity of investing where we believe that we can make a contribution. And we will do that by using that arm. And that separates the portfolio because it allows us to be more flexible in terms of governance, we can be more flexible in terms of funding and also of working capital. And you know that in the permanent portfolio, we have a long-term approach, and therefore, long-term interest in maintaining those businesses.

Radar was a great opportunity. You remember that when we sold the stake in the company, if I'm not mistaken, five years ago, the price that we had compared to the price that we pay now specifically, if we analyze it in dollars now, it is a great investment opportunity. We like the sector and what is important to remember that this portfolio investment was done by us. The decision of buying all these assets was ours. Actually, we are not going into a business that we do not know the profile of the assets that are there because our decision and our choice and our selection of investments has been done and very little has happened in terms of investment at Radar when we sold our stake. You know that who has a relevant stake in the company's control. And what we are doing now is increasing our economic share or the stake so that we can continue managing that portfolio as we have done until the moment when we sold it in the past.

So I think it was a great opportunity. We discussed that extensively here. We had a price target, and if that was not met, we would not do the deal. And we are -- have a strict discipline in terms of the return for our investments because once again what we understand in terms of opportunity, of course,[ph] here it's very clear. We have our businesses. They are all self-sufficient in terms of growth and opportunities for development. And we have other opportunities that come up and this was the way of seizing an opportunity without generating an impact for Cosan's shareholders. So I agree with you that if we do not make it clear and if the market does not understand the objective that we made when we invest that we can be -- we might be adding complexity. But I want to make it clear that we will have all flexibility, not only in terms of funding, but also in terms of repositioning this business even out of the portfolio if that's the case, and we will do that as we believe each one of these investments reached their own maturity levels.

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

And Marcelo, I think it's important to add that these are dedicated funds that allow us to bring specific shareholders within each one of the opportunities.

A - Marcelo Martins {BIO 16440115 <GO>}

Yes.

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

Thiago, did we answer your questions?

Q - Thiago Duarte {BIO 16541921 <GO>}

Yes. Thank you very much.

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

Thank you.

Operator

Next question from Mr. Luiz Carvalho, UBS. Please Mr. Luiz.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Hello, everyone. This is Luiz. So thank you all for taking my question. I have three different lines of businesses here that I would like to tackle. Part of capital allocation, I think you have already talked about that. But I would like to go deeper. First, mining business that you went into recently, and to understand -- in these last weeks, I would like to understand a little bit better, what have you done in terms of development of progress? If you can talk anything about the deal in the port. I think that was very interesting to see, obviously, finally, [ph] you were able to solve the logistics of it. I think that is already a great step. But if you can give us a little bit more color there, it would be great.

Second, still on Compass business, if you can share a little bit more about the rationale regarding the bid at Sulgas? It seems to be one of the important states, but I would like to understand what you are thinking about in terms of privatizations in the states that are following that direction? And how that could or not in your opinion have any impact or any reaction from the Anti-Trust Agency?

And finally, and I'm sorry if I'm being very specific, although this is Cosan's call, but we are seeing now strong reaction at Raizen, at least, today. And talking to some distributors, at least what we have heard, and I would like to hear from you, of course, is that in this last Petrobras review orders for December apparently Raizen had 19% cut in Petrobras' system, and maybe going back to Thiago question, the more integrated business, maybe to diversify that supply considering that changing behavior in the company. I'm sorry to be very specific here to a business, but I think this is important.

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

Thank you. Good morning, Luiz. That's okay. No problem. You can ask us. So let me start by the third question, Raizen. Well this cut by Petrobras are in line with the market. They are not privileging or discriminating any players. It has to do with the history and with the size of the supply capacity and the size of the order placed by each company. So, I would like to say that the process is not going to bring any disadvantages or advantages for any players, except for those that did not purchase from Petrobras. And they -- those will not have their order placed and they will have more restriction. And I'm not confirming that

the number is 19%, but whichever is the rumor in the market, I cannot state that this is fully consistent with what the market is going to take in terms of restrictions compared to other players.

What is important to say is that this might be a new paradigm and new reality of the Brazilian market, where Petrobras is not going to ensure supply at any price, at any moment, at any location. And I think that the good news of the maturity of the Brazilian market that for many years was anchored in this assumption that if at a moment Petrobras is below the parity price and that is momentaneous because that is regulating the price, and it will bring the product, because no one is going to import it. I think it is clear for the last few months that those that are not prepared with the infrastructure and capacity and big product will allow their own clients to be dry, because they want to have products. So -- and now, so we have this concern first with infrastructure, second with S&OP, the ability to predict the demand, the stock, regulation to prepare for what lies ahead. Third, contracting the network and loyalty to the network, contract relationship, long-term view, all of that add great value and the ability with the trade arm to be exposed to different product scenarios, whether in the Gulf of Mexico, Europe, and sometimes even Asia where price is more competitive depending on the market seasonality.

So actually I see that as a great opportunity and the real opportunity for the market to work as it should with each player taking in the responsibility for its own chain risk, then relationship with contracted clients ensuring that this market will be optimized and supplied in an efficient manner with guarantee just like any other market. So I honestly see that already happening in November, and it looks like this is going to be happening forward. Petrobras will take orders every month planning and bringing in some gap because of their production to complement market gaps, especially, in diesel and now also gasoline. And there was a drop in ethanol because, we are in the in-between crop period and that allows that companies that have better structure, and I repeat, that have a contract relationship, they do have a competitive advantage right now.

Now, turning to Compass, and I'm going backward in your questions here, Luiz. Well, this is a very simple overview, and I believe, Nelson said it very well whenever he talked to you and that is the replication of Comgas model in the last nine years. So I think we were able to prove that it is possible to do it differently in the gas distribution business. This is a very commercial approach market development, cost reduction, efficiency and the network development. And mix efficiency to have residential, commercial and industrial areas, you can see that Comgas already have 50% of its margin in non-industrial segments and even a little bit more. And so I believe this is the approach to be replicated in the South, that is even colder in the winter than Sao Paulo. So this is a market that demands even more gas to other applications. So I would say this is a very simple, but very effective vision to replicating the model with people, experienced suppliers and also with the ability of rolling out in the market that has a lot to be developed.

If other opportunities arise, Luiz, then we always say that any sectors that we are involved in, we will look at it, and obviously, we are not saying that we are going to have a footprint all over Brazil because we do not have that ability. But in certain markets, yes, they are very important and we are going to be looking at them. We will be concluding Comgas. And of course, going forward with the Anti-Trust Agency with Gaspetro, which is another

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important piece in this huge strategy of being focused and it's always important to focus on the free market. And I always repeat that, we -- all the markets we are at, we believe in the free market so that we can really have the average and great consumers free to buy from those that are more efficient to have consumption alternative, because the more competitive is the price of gas, the best for gas distribution. So we are excited about that. We believe that we do have a winning model and Comgas is an important matrix to be replicated.

About Mining JV, this is a long-term -- business long-term industry. We concentrated on that. On the last weeks we announced the deal when concluding the port. That was the first step of the 49% of the acquisition of the minority shareholder. We had the approval of CADE, the anti-trust agency and now we are moving forward with a partner and we always say that logistics is crucial in the progress of any project, any mining project. Therefore, we have to be very happy about the quick progress that we are having in the port.

And on the other side we are putting together the team with key resources so that we can work with probing and implementing the pilot plant and so on, but like we said in the beginning, this is a long-term project. But we are taking important steps, looking for low impact in the lower carbon footprint in the industry, aiming to be the reference supplier for green steel industry. And I think this is very important and in terms of our position in this market.

Did I answer your question, please?

Q - Luiz Carvalho {BIO 18040760 <GO>}

Very clear. Thank you very much. And I'm sorry for being so specific in this call.

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

Thank you.

Operator

Next question is from Mr. Regis Cardoso from Credit Suisse. Please, Mr. Regis.

Q - Regis Cardoso {BIO 20098524 <GO>}

Good morning, Luis, Marcelo, and Ana, Paula. Can you hear me? Can I ask my question?

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

Yes, we can hear you very well. Go ahead.

Q - Regis Cardoso {BIO 20098524 <GO>}

Thank you, Luis. Two questions here. First one short-term, thinking about this year. The guidance was more controversial in this earning season, starting with raising the guidance was lower than our expectation and most of the market, especially in renewables and that

seems to -- still conservative. But I would like to know if you can comment a little more, because most you already commented last week. But now in Cosan's guidance, Moove also has a sequential reduction of EBITDA now in the fourth quarter. So, Luis, can you tell us about the seasonal demand, what we can expect for the fourth quarter? It seems that the guidance is more conservative and maybe you are aiming that guidance, I would like to hear from you on that topic.

And my second question and Marcelo already started talking about it and it's about funding and capital allocation for Cosan Investimentos, because you went into some factors that are capital intensive, real estate, mining, also car leasing, or car rental, all of those are capital intensive. So I want to know where funding is coming from, especially in the context where the main OpCos of Cosan, did we have capital increase recently and they have their own expansion projects which are bold? And I feel that maybe capital will be coming from that in the holding, but maybe from shareholders and marginal funding in the stronger structure in the company. But I would like to hear from you and to know what is the decision variable involved and where you're going to have funding coming from.

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

Thank you, Regis. Let me you quickly about the three guidance that you mentioned. We expect that all of them are going to be very close to the top of the guidance. The guidance is a range of course and we have not updated the Compass and Moove guidances, but we are very optimistic and we know that the company is going to perform at the top of guidance and there is nothing in the fourth quarter that is the reason of concern for us. I think we will have -- the result, of course, December is specifically for Compass and Moove. These tend to be a deceleration in volume because we have a stoppages in the industry. Let's see if that's going to happen.

Some of the industries are working at a very intense level to replenish inventory levels and -- but that's not normal in the case of Moove. Also there is a trend that the retail distributors do not -- might not want to have left inventories. But there's nothing that is not natural and we are very confident about all the company's raise in Compass and Moove. We will be delivering at the top of the guidance, including with a strong fourth quarter, but with the seasonal characteristics that each one of the segments have.

Marcelo, you want to talk about funding?

A - Marcelo Martins {BIO 16440115 <GO>}

Yes. The structure as it was set is that we can create equity for each one of these businesses. So, the idea is not to fund all these investments with Cosan's debt. Obviously some capital contribution, because then we will have to do and it has done in three of them and with time, that's going to be diluted as we bring in equity. I would like to stress an important topic here. We do not have that funding diluted. We have a good size, an ideal size, but the idea is that it is done like that. So we can have our funding structure without diluting Cosan's shareholder. We knew that the growth of this business will depend on equity. If we did not develop this structure, the dilution would happen at Cosan level and that's not what we wanted.

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Yes, real estate can be capital intensive, but it is not -- remember the model, we are actually managers of real estate portfolio, the maintenance of the property and the operation of the property will be made by the sector's operators that are leasing that piece of land. So that is an yield business, obviously depending on the quality of the properties and that's why it's very sensitive for us the price that we pay for this business and we are aiming a very relevant yield and I believe will be meeting it considering that OA [ph] paid a good price for that real estate. Out of these three businesses, I would say that this one will be the one that we'll have the least need of capital. I think that we quickly will be able have funding so that we can even increase that portfolio and invest in more real estate. So the funds would be used to invest in the portfolio and not necessarily to expand with CapEx or OpEx, or OpEx in this case, to maintain the business. So that's about the land.

Now about mining, we started considering having the expected quality of mines. It is crucial that we had the logistics solution. The Port was the most difficult part and the most strategic asset of the business now. That's why we need and we want to close the deal ASAP for the port. As we now have locked the port, we have a number of hurdles to be overcome in the nice operations so that we can test the quality of the -- or coming from these mines, so that with time, we can have the right disbursement. And this is an asset that we once again will be bringing in capital at the right moment when we think it makes sense, but the horizon of this investment is longer, differently from the other businesses. Mobitech is a huge opportunity to grow in a very consolidated market. We believe we have room to grow.

This is a business that depending on the model might have a need to have a greater capital expenditure, but the way we believe that we are going to manage this business and growing this business probably that is not going to require capital as if it were a greenfield. So our vision is once again strategic because we believe these are sectors that we add value, but very sensitive to risks and to capital attraction. And, yes, we want to bring in third-party capital in the level of these three companies as they mature. We manage our portfolio and maybe take it out of the portfolio by selling it or by spin-off, or IPO or anything that makes sense. But at the right time considering that asset is mature enough for the next steps.

Q - Regis Cardoso {BIO 20098524 <GO>}

Thank you, Marcelo. And a quick follow-up, please, in that discussion of the capital increase of these companies, because then you could opt to have the option to increase capital in the fund or in the investee. And also on that control structure of 50-50, for instance, if I use the example of Mobitech, if you have capital increase bringing practically equity to the fund, you would need your partners to maintain 50-50. They also would have to invest the same amount of money and then maybe the alternative would be to directly increase the company -- in the company, the Mobitech, for instance and then maintain the same control group with the same stakes. So, in practice, I just would like to understand why do you choose to raise the capital for the -- this -- in the structure of the investees?

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

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Well, FIP is Cosan's and our partners will invest there and we'll be using this capital for the company, but always participating in Cosan's block. Cosan will use that capital depending on its strategy and it's going to be directed to investments and FIP'S partners and investors will be Cosan's partners bringing in capital and with Cosan's capital that will be directed to the investees and that is the model for all the companies. So if this investee company decides to have an IPO and the company will be listed, so this investor will be an investor of a listed company, another private company. But the idea is that the FIP is the channel to got the funding. And as a transparency to all our shareholders, we ensure them that the management will be done by Cosan, the management of this fund, the control and the management of the fund. And as Marcelo said, we might have partners of this fund of the FIP that are not partners of the company. But that is one of our characteristics of our portfolio.

Is that clear, Regis?

Q - Regis Cardoso {BIO 20098524 <GO>}

Yes, clear. Thank you. And thank you very much and congratulations on the results. Thank you.

Operator

Next question from Mr. Gabriel. Please, you may go ahead, Mr. Gabriel.

Q - Gabriel Barra {BIO 22244309 <GO>}

Good morning, Luis, Marcelo, Paula, Joao, Ana. I have a few follow-ups. One about Compass. I think it's interesting to understand and thinking about the company's strategy about the gas market. I think the blue ocean of opportunities you see ahead in this new segment in this new environment with the market opening, it's interesting. And one of my question is about the synergies that you have even about the new gas law and there are some separations among the businesses that you have to maintain in terms of the regulations. But it looks like there are synergies. And I would like to better understand from you, which are them. You have all the portfolio already designed. You have the gas trader, you have Comgas and now with the acquisition of Sulgas and potentially Gaspetro, what are you seeing in terms of synergy? And if -- does it make sense to think in terms of synergy for that kind of business or when you think about the regulated gas business, Gaspetro or Comgas, you will be replicating the Comgas model in these two potential to new companies? This is my first topic on Compass.

Now I know that you've talked a lot about Cosan Investimentos and I would like to understand Leo's role in this new -- not new, but in this arm of the company. As you said, you were at a very aggressive basis or a quick pace in terms of new businesses, new opportunities and now it is the moment of working on them. Now, looking ahead, what can we think in terms of that business. Is the idea is really to maintain the portfolio as it is and to have a possibility of new businesses and focusing on new opportunities, but to have synergies with perennial businesses of the company or could you have other types of businesses that only thinking about the opportunity and not synergy? Just to make it clearer. So these are the two questions I had.

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A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

Thank you. About Compass, and going back to what Nelson is talking about in the market, we have four verticals. All of them are related to gas and power business, but we see efficiencies as the main synergy driver, but each business has its own dynamic. Our distribution will be focused on bringing in clients, developing our grids, and infrastructure. We will create possibilities of having new molecules, opportunities bringing in more competition to the market and gas price is very important to increase the greater challenge that we'll have in the market, which is the main generating.

We know that there is abundant supply, not only in Brazil but also in the world, but we have to make sure that we will meet the demand that Comgas and Sulgas are developing and we have the generation business that is going to look for opportunities of projects that they have the right profitability, bringing in generation and monetization of gas and also we have trading which makes an important link. So that the molecule gets where it needs to get at competitive prices and costs with different contract portfolios, with different indexes, different flexibilities, because sometimes people think the gas molecules are all the same, but they have very important characteristics that need to be taken into consideration.

So these are opportunities to be developed to by Compass. This is the portfolio we designed. It starts gaining density in each one of its arms, Comgas and now Gaspetro and so guys in the infrastructure of the terminal being developed. We are analyzing several projects, active commercialization and we are already discussing with public hearing for distributing companies all over Brazil and also contracts with potential free clients here in Sao Paulo. So we are populating the density of each one of these arms so that they can reach the size and the power that they can have with advancement with the gas -- in the energy matrix in Brazil.

Second, Leo is going to be the CEO of this initiative, responsible for this portfolio that is already built and to put into practice Cosan's concepts, the capital discipline, patient people development and everything that needs to be done so that these new undertakings are successful. And he will be screening our ecosystem and this was Thiago's question for monetization opportunities, always looking at digitization. This is a great opportunity that we have, a value generation and pearls that might be hidden in a portfolio. We have been seeing that in several areas for financial transactions, insurance, information security and several other topics that the companies CEOs are raising in the moving forward. So this is his role. The first three areas are successful and continuously analyze our portfolio, our ecosystem, and generate value generation with dedicated focus, so that every area has an owner and has responsibility to deliver results, capital allocation, and discipline on how we control our business.

Did I answer your question?

Q - Gabriel Barra {BIO 22244309 <GO>}

Yes, Luis, thank you very much.

Operator

Next question is from Cristian Audi, Santander. Please Mr. Cristian? Hello, Cristian?

Q - Cristian Audi

Hello can you hear me. Yes. Good morning. Can you hear us? I have two questions.

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

Yes, I can hear you.

Q - Cristian Audi

Few questions, please. First, please, investors keep asking me how companies will deal with the Brazilian economy in 2022, a more challenging economy? And my question is, can you comment on that? How do you see Cosan's companies prepared for a more difficult scenario in terms of economic growth in 2022? And my second question, Marcelo, going back to capital allocation, how do you make the decision of shares buyback and dividends payment? How do you work on that? Is it just a matter of tax payments. And can you comment also on how companies in Cosan pays the dividends payment topic, how they deal with that?

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

Yes, we actually do both. We pay dividends and we buyback shares. I think that, in practice, the effects are similar and that should benefit shareholders, especially at the moment where shares are at a lower price for reasons that I believe are very immediate. And we have more to do with the market of a situation that is not perennial, but we will do both. We will be paying dividends, a record dividend payment year if you analyze our results and we will be buying back shares. I mentioned that in the beginning of the call. Our objective is to restart the shares buyback, we will do that starting today. This was always part of our objective and our strategy. And it's not going to be different now.

About our decisions for dividends payments, all companies have a very clear position. They are self financeable. They have to use their cash generation to finance their own business in a strategic line 100% defined with us, with shareholders and all of them have to generate cash. The ones that pay less dividends are at a moment of growth and dedication in its own business that is higher. That's why they demand more cash than others. The companies that are more mature, we'll pay more dividends. That's how it goes and Cosan obviously will continue to pay dividends to its shareholders and even mention Cosan investment. So we will not get in the way of that dynamic, because our objective is to bring in third-party capital even if that means some type of dilution.

About your first question, about the GDP for 2022, obviously, we are always analyzing and checking the scenarios, managing risk and the downside. But when we look at the scenario for improvement of the water supply and the next crop, the next season and for soybean, corn, and sugarcane, we see that as positive. So regardless of the GDP, these businesses will have a positive effect. I believe that we will have mobility back next year. That's very important for all businesses that depend upon mobility. So we see -- the way

that Brazilians reacted to vaccination, it's not a surprise and it's extremely positive. And obviously, we gain a lot of time and we are working on costs, expenses, and efficiencies. Therefore, we are even more resilient in that period.

So, of course, a greater GDP always helps us to drive businesses. But specifically in -- our businesses are exposed to agricultural commodities and movement of products that Brazil will keep on exporting relevantly and we see that positive and with a positive approach better than this year and mobility, also we were a very much effect in the beginning of the year in April, May, both in Brazil as well as other countries where we have a footprint and now that is resuming at a stronger pace and more perennial. And once again, we remain very disciplined in terms of funding and costs. And that's why it's so important to have that interdependence of the companies and all the homework that we have been doing in the last eight months of joint purchases, joint renewals and all the projects that we can run together that allow us to provide a strong base for costs and funding to face what we will have in the future.

Q - Cristian Audi

Thank you. That's great. Thank you very much.

Operator

Next question from Mr. Bruno Montanari, Morgan Stanley. Please, the floor is yours.

Q - Bruno Montanari {BIO 15389931 <GO>}

Thank you very much for taking my question. I have just one more question on Compass. Looking at what happened to general pricings in international market, I would like to understand if your conversations with potential new clients, if they are afraid of higher volatility in the molecule price, what is their mindset about this new niche, which is the gas market?

A - Luis Henrique Guimaraes {BIO 17984872 <GO>}

Yes, I think it's important to understanding all these analyses if the short-term the spot price and the long-term gas market had a great shock considering the supply chain disruptions and the recovery pace that the world had surprised most producers and transporters and we thought that was going -- there is going to be -- it is slowing down. Let's see how winter will be in the Northern Hemisphere. But that doesn't change that even if it stresses the need of our industrial customers or clients who have a portfolio of contract supply with different times, with different flexibilities, different basis. I think that only stresses the need of risk mitigation and management of the alternatives. And this is not possible in Brazil when we only had one supplier, which was Petrobras.

And obviously, on the other side, there is responsibility and professionalism, even greater both for clients and traders. And that is good for us, because we have been in the market for long time. We have a great structure, a great team, and we are exposed not only to the Brazilian market, but international market as well as all the work that Compass has carried out in the past few years. So in my understanding and what we have seen with clients is,

there is more and more interest of looking for portfolio diversification and better understanding of the options and basically to organize ourselves, so that the short-term doesn't change.

And that was seen in electric energy market, in the transition between captive market and free market where each client based on each price cycle had to adjust their electric energy portfolio, the type of risk and contracting that they want to have. That's part of the game. Market is market and in the Brazil, this is the major challenge, how we can learn the market is the best solution. We can (inaudible) when prices go down. It will go up, go down, go sideways and that's why we believe our position in the parent -- several companies into each we are exposed in commercialization and a portfolio is so important and we are very confident about our position.

So we now end our Q&A session. I think it was very comprehensive. I think Marcelo has address your questions. Capital allocation, Cosan Investimentos, but also our permanent portfolio, providing the perspective of what lies ahead. We are very excited and optimistic not only about the short-term perspective, but also the movements we are knowing for each one of the companies contracting the future Raizen, Moove, Compass, and also Rumo with restructuring projects, unique projects with important prospects for our development and bringing in improvement and milestones ahead. We are developing people, providing opportunities, all of that movement is very important because we are creating a robust pipeline, considering each development of the Group.

So we have a greater concern that, Me, Marcelo, Ricardo, all the CEOs and the HR teams, we are working to ensure not only that all businesses are fluid, but also bringing in outside funds so that we can have know-how where we have additional skills so that we can have the best teams and logistics energy and all the businesses in which we are involved.

Thank you very much for your questions and thank you for your participation and see your next call.

Operator

Cosan's Webinar has ended. Thank you very much for your participation. Have a nice day.

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