

Q3 2019 Earnings Call

Company Participants

- Phillipe Casale, Investor Relations, Executive Manager

Other Participants

- Christian Audi
- Gabriel Francisco
- Gustavo Allevato
- Luiz Carvalho
- Pedro Soares
- Regis Cardoso
- Vicente Falanga

Presentation

Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Cosan SA Third Quarter of 2019 Results Conference Call. Today with us, we have Mr. Phillipe Casale, Investor Relations, Executive Manager and Mr. Joo 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 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 slideshow of this presentation are available through live webcast at 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 the call.

Phillipe Casale {BIO 20025617 <GO>}

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Good morning, everyone. Welcome to Cosan SA's third quarter 2019 earnings conference call. Cosan's consolidated results grew once again this quarter, despite challenges posed by the devaluation of Brazilian real against the U.S. dollar, as well as fluctuations in international oil and agricultural commodity prices. Macroeconomic environment is improving in Brazil. The GDP increase has been mild so far.

Let me start the presentation on Slide 4, discussing the results of Razen Combustveis Brazil. Razen posted a solid operational performance. The total volume sold by the company grew by 5% this quarter compared to a 4% growth in the Brazilian market, considering the ANP figures. Otto cycle volume measured in gasoline equivalent grew 7%. The ethanol mix in the Otto cycle remained at around 35%, and gasoline sales grew after a few quarters in decline.

Diesel volume was strong, again reflecting higher demand from clients, particularly those in the agribusiness sector. Aviation sales was 1% down on back of the winding up of Avianca's operations in Brazil. Razen Combustveis' adjusted EBITDA totaled BRL640 million, or BRL772 million, if we exclude the adjustments. Compared to the 3Q '18, adjusted EBITDA fell 6%, but compared to the second quarter of this year, Razen posted a 13% increase as an evidence of sequential improvement of market conditions.

Sales volume grew, but fuel price fluctuations brought challenges to supply management. Worth mentioning that the substantial increase in ethanol sales in Brazil over the past few years enabled some increase in informality, requiring greater rationality in balance when managing the business.

The pillars of Razen's performance include the continued focus on long-term relationships with our clients, expansion and renewal of contracts with the services station network, supply and the commercialization strategy, optimizing the logistics infrastructure and a constant seek for cost efficiency.

Investments this quarter totaled BRL250 million dedicated to the maintenance, conversion and renewal of contracts as well as investments in logistics infrastructure. There were good business opportunities throughout 2019, and will likely result in bringing nearly 1 billion liters of additional volume to our base.

Now let's move to Slide 5 to discuss Razen Argentina's results. Remembering that results are in U.S. dollars, which is a functional currency of the downstream operations in Argentina. The quarter was marketed by a worsening political and economic scenario after primary Presidential Elections in the country.

Skyrocketing inflation and the strong currency devaluation aggravated the recession scenario. To lessen the impact of these economic crises, federal government unveiled relief measures which included freezing fuel and oil prices. The price freeze caused a negative effect of \$55 million in the inventories. As a result, Razen's EBITDA ended 3Q '19 at a \$6 million total. Prices have been frozen in a gradual and rational way reducing the discount in relation to international prices. The volume of oil processed by Razen fell 4% with a utilization rate of 73% due to scheduled maintenance this quarter.

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Despite the adverse scenario, diesel and gasoline sales rose by 7% year-over-year, as a result of the commercial efforts. Aviation sales performance reflects higher demand in this sector. Investments totaled about \$28 million, most of which towards maintenance of the refining complex.

Let's move to the next slide and we present Razen Energia's results. Second quarter of '19-'20 crop year was marked by a higher volume of sugarcane crushed which rose by 10% year-over-year. Agricultural yield improving 4% compared to the same period last year, and the production mix continues to prioritize ethanol, which came in at 50% of the mix.

Speaking of sales, starting with sugar. The sales volume fell 48%, but in line with this commercialization strategy for the crop year. The higher storage capacity brought flexibility to manage sugar sales focusing on when returns are higher in line with the hedge strategy. Average sales prices in BRL were 16% better this quarter compared to the same period last year, and this increase is in line with the best prices, had they been in BRL.

On the ethanol the sales volume rose by 19%, driven by high demand in both domestic and export markets. Average price came in 24% higher than 3Q '18 due to higher exported volumes and economic hedge for ethanol sales. It is worth noting that domestic prices are trading at a better level compared to last year.

Moving to electricity. Remember that results are impacted by WX, Razen's electricity trading company. Own volume sales fell 6% in the quarter reflecting the delay in production, which should be normalized by the end of the crop year. Sales average price was negatively affected by the price drop in the spot market.

Before discussing the EBITDA, I could comment here in cash costs. When normalized by the Consan currency effect, unit cash cost increased by 10%, reflecting inflation, seasonality in the production mix and lower dilution of fixed costs. This will reduce the volume of sugar equivalent produced this crop. Adjusted EBITDA came in 32% higher, reaching BRL848 million, in line with the higher volume of own ethanol sales and better prices of sugar and ethanol. Important to highlight that this year the sugar commercialization strategy will concentrate a higher volume in the second half of the crop, taking the benefits of the hedging.

As for sugar hedges, Razen has designated its entire volume for sugar to be exported this year at an average price of BRL0.55 per pound. For the next crop 2021, we hedged nearly 55% to 60%, with an average price of around BRL0.60 per pound, which is almost 10% higher than the current crop. Although sugar prices in U.S. Dollars remain depressed on the back of high global inventory, we see good opportunities to have and improved profitability in BRL.

Several consulting firms are already indicating that main producing countries should reduce the sugar output over the coming months. So climate in India have impacted negatively agricultural yield and the production of ethanol has increased despite subsidies

for sugar. The mix of ethanol in Brazil remained strong, reflecting the solid demand for the biofuel at the services stations.

Sugar global demand have a relatively steady decrease of around 1.5 million tons per year. And in this scenario, we should expect the sugar prices should be traded above the level that we have been seeing recently. Lastly, investments totaled BRL541 million, reflecting higher expenditures in planning and land treatment in addition to asset integrity investments.

Now, let's move to Slide 7, and we'll discuss Comgs. Volume of natural gas sold in the 3Q '19 fell 5%, mainly impacted by the industrial segment, which faced a lower activity from large clients from specific sectors, such as ceramics. The sales volume of commercial segment was also depressed by lower demand. In the residential segment, sales grew by 5%, driven by new connections. Normalized EBITDA totaled BRL653 million impacted by inflation adjustment on margins and better sales mix.

Regulatory Current Account ended the period with an active balance of BRL132 million in favor of Comgs. Investments reached BRL219 million in line with the CapEx plan for the year focused on maintenance and customer base expansions.

Now moving to Slide 8. Moove's EBITDA rose by 33% in the quarter, reaching BRL80 million. Better performance of Moove is explained by consistent sales growth across all countries, reaching a record high volume this quarter. Besides expanding international operations, we increased our profitability by focusing on building a high quality portfolio of products and efficient sales strategies.

Let's move to the right hand side of the slide. In Cosan's corporate segment, we reported an expense of BRL80 million, mainly impacted by a one-off effect related to the replacement of the share-based compensation plan to stock grant plan, in line with the best practice of retention and governance. Other revenues were positively impacted by the sale of credit rights totaling BRL363 million and again relating to tax claims after a final in an appealed court rulings. The cash effect from the sale of the credit rights will be recorded in 4Q '19.

Now let's move to Slide 9. Cosan again delivered solid consolidated results on the back of its business portfolio. Recurring EBITDA grew by 30% to BRL1.6 billion while accounting EBITDA reached BRL2.2 billion. Net income totaled \$819 million reflecting the improved performance of the businesses in the quarter, especially Comgs and Razen Energia combined with positive results in the corporate segment.

Free cash flow to equity also increased in the quarter to BRL1.6 billion, 87% higher than the same period last year. The main effect here was the operation -- operating cash flow, where cash generation increased at Razen and at Comgs due to the improved normalized result and the regulatory current account refund.

Even the cash flow from investments, Razen and Comgs also invested more in the period, but in line with the CapEx plan for the year. Pro forma gross debt rose by 4% in the

quarter due to fund raising at Razen with the issue of BRL1 billion in Agribusiness Receivable Certificates, or the CRAs. The cost of the debt stood at 109% of the CDI, and on a pro forma basis 119% of the CDI, which is excluding the Razen. The pro forma leverage ratio after the usual adjustments ended the period at 1.9 times net debt-to-EBITDA.

Now let's move to Slide 10 to discuss our guidance for the year. And here, I'd like to point out the following reviews. At Razen Combustveis Brazil. Let me start by reminding that we do adjust non-recurring effects, which had a positive contribution to results. Having said that, we are reviewing the adjusted EBITDA guidance while the accounting EBITDA would have been preserved within the original range. The main reason for the review is the worsening market environment seen in the second quarter of this year. And worth noting that the guidance was based on a GDP growth estimate of about 2%, but reality was quite different. For the fourth quarter of 2019, the seasonality effect and the gradual improvement of the business environment should result in a stronger quarter compared to the previous two quarters.

At Razen Argentina, the EBITDA review reflects the negative impact of the price freeze mentioned before in a worsening political and economic scenario. At Moove, the improved performance in their international operations performance drove EBITDA in the year resulting in an increase in our estimates.

The guidance for Comgs remains the same, but with a view towards the upper end or even slightly higher. As mentioned earlier, the projections were based on a stronger industrial activity for Brazil. We observed some segments of the industry with weaker than expected activity as well as higher temperature that may impact residential unit consumption. Despite those adjustments, we maintain our initial guidance for Cosan's pro forma consolidated EBITDA.

So this concludes the presentation and we will now take any questions you may have in English. Thank you.

And just one thing before we start the Q&A session. Please note that we just filed our correction to our earnings release specifically in the calculation of the free cash flow to equity pro forma. The corrected number is BRL678 million, a reduction of 18% compared to the 3Q '18 and not BRL1.6 billion as I mentioned in the presentation. So just this quick correction. We have already filed this correction in our website as well.

Questions And Answers

Operator

(Question And Answer)

The Q&A session will start shortly. We'll now begin the question-and-answer session for investors and analysts. (Operator Instructions) Our first question comes from Christian Audi, Santander.

Q - Christian Audi {BIO 1825501 <GO>}

Thank you, Phillipe. I had three questions. The first one on in Brazil, for your distribution business. Can you talk a little bit about market share dynamics and competition, particularly from white flags? And also on the demand front, are you seeing an improving Brazilian dynamic overall? Or do you think it's still kind of moving sideways?

The second question related to your Argentina operations. I know it's a difficult macro political dynamics. So I'm just wondering, what can you do as an operator to defend yourself or try to minimize the impact from these disruptions, if you will? And then finally on the sugar and ethanol space. Can you just talk a little bit more about the pricing environment and your outlook for both ethanol prices and sugar prices? Thank you.

A - Phillipe Casale {BIO 20025617 <GO>}

Hi, Christian, thank you for your questions. I'll try to address all of them here. So first on the dynamics in fuel distribution in Brazil, and I'll focus more on the performance of Razen here, which, by the way has been pretty consistent in balance between volume expansion and adequate returns. So, we think throughout the year, specifically in the second Q '19, the fuel price fluctuations brought a lot of challenges. And a part of that price situation is reflected in July, specifically. So this brought to the 3Q '19 some impact on our inventory management or basically in the supply management. But it quite showed a gradual improvement on the market conditions and the market environment as expected.

So first volume grew back again, right? And this is important for market environment. And second, we have some relevant players in the industry that is still -- that were still adjusting their strategies. So it's important also to mention that in the second quarter, Petrobras price policy was also changed. And players were adjusting their supply to this new dynamic. So it was a gradual improvement on the market environment since the second Q and we also expect an improvement in the 4Q. So this is basically what we are seeing now in terms of the market environment in the fuel division.

And your question about the macro political environment in Argentina. As we mentioned in the call, for -- the prices have been gradually -- in a very steady way adjusting -- increasing the prices actually, right? So we are seeing also the market not suffering a lot in volume. So this is what we show in terms of the volume expansion in Argentina, right? So let's see how this new environment will reveal. But I mean, the operations of Shell in Argentina have been performing quite well in different scenarios. And they'll work here, of course, to optimize the operations in any type of -- America political scenarios.

Just for your question about the sugar and ethanol and the pricing environment. So as I mentioned, in terms of the sugar, we still see high inventories in the global market. There are some consulting agencies stating about a possible depth in the year, but still inventories are higher than -- and prices are not reflecting those -- that scenario. So we should expect prices to behave better. But meanwhile, we'll refocus our strategy here on maximizing the return and we've got quite efficient hedging strategy. So this is one of the reasons why our prices have been behaving better. We have already accelerated the hedge for the next crop as well. So we have hedged about 50% of the next crop, as I

mentioned, and the prices are already 10% higher. So our strategy here is focusing on maximizing the returns and of course with an efficiency hedge strategies.

Q - Christian Audi {BIO 1825501 <GO>}

And on the ethanol front in terms of pricing, Phillipe, what's your outlook, please?

A - Phillipe Casale {BIO 20025617 <GO>}

I mean, price of ethanol, we have also been able to capture a better price. Of course, this is linked to the ethanol prices and the demand for ethanol in Brazil is quite high even though the production is increased as well. So we are getting close to the end of the crop. That's the period when usually prices react better. We accelerated the sales in the third quarter of the year, the second quarter of the crop, but we still have volumes to capture and to sell throughout the next two crops -- I'm sorry, the next two quarters of this crop, right? So price should improve throughout the next two crops until the end of the crop season.

Q - Christian Audi {BIO 1825501 <GO>}

Great. And just a follow-up. In Argentina, what's your expectation in terms of the price freeze that it will continue? It will -- once it get expires?

A - Phillipe Casale {BIO 20025617 <GO>}

Christian, at this point in time, we don't have the information of what is going to happen. As I mentioned, the price control have started to begin unwinding in a gradual and rational way, even we see that growth in Argentina. So we don't know if what is going to be the political decision in terms of price freeze.

Q - Christian Audi {BIO 1825501 <GO>}

Thank you.

Operator

The next question comes from Regis Cardoso, Credit Suisse.

Q - Regis Cardoso {BIO 20098524 <GO>}

Hi, Phillipe. Good morning, everyone. Two quick questions from my side. First one is related to the guidance in Razen Combustveis. Phillipe, it looks a bit stretched in the sense that it would require nearly BRL120 per cubic meter, if our calculations are correct, for you to reach the low end of the guidance in the fourth quarter. So what I wanted you to discuss is whether you're really seeing a fourth quarter that is really strong and allows for that level of excitement? Or I mean, if there was something else you were -- you had in mind when you put together the guidance?

And then conversely, in Comgs, it appears to be the contrary of that. It would require a level result that is much below current level. So if you could just comment on those two

guidances? Thank you.

A - Phillipe Casale {BIO 20025617 <GO>}

Regis, thank you for your questions. So in Combustveis, usually the 4Q is the strongest in terms of performance, right, and -- as we said in the speech here. So we are expecting -- we're seeing a gradual improvement in the market environment. And that should -- that's what we expect, actually, for the 4Q. We adjusted the guidance. And by the way this is the adjusted guidance, right, excluding all the non-recurring effects that we usually do adjust, right? We would preserve the range if we consider the account EBITDA. So in this scenario, we expect to be within the range here. So that's what I can tell you right now about Razen Combustveis.

And in Comgs, as I mentioned we are looking towards the upper end of the guidance. And there is a slightly chance that we even surpass that. But we're probably being more conservative here based on the activities we are seeing in the industry in the past few months. We are seeing also higher temperature that impacts the unit consumption of residential clients. So we're probably a little bit more conservative here, but we're still aiming to deliver on the upper end of the guidance here for Comgs.

Q - Regis Cardoso {BIO 20098524 <GO>}

Okay. Got it. Phillipe, if you allow me just the second question on refineries? We have seen some other distributors becoming more, let's say, outspoken and aggressive in commenting how integration in the fuel distribution space with refineries is going to be a defensive move and very important for this sector. So if you could discuss whether you think the same, it'd be great. Thank you.

A - Phillipe Casale {BIO 20025617 <GO>}

Yes. Regis, I mean we discussed this in the past few conference calls. So Razen is the second largest players in fuel distribution in Brazil. We must understand any of that change in opportunities in the supply dynamics and we'll follow up with the process here and make a decision if makes sense or not to invest in the refineries. But we are always and constantly looking at the business opportunities that may bring efficiency and profitability to the operations. And analyzing deeply this opportunity of buying refineries is part of the strategy we take here.

All right. Thank you.

Operator

The next question comes from Pedro Soares, BTG Pactual.

Q - Pedro Soares {BIO 20879952 <GO>}

Hi, good morning. Good morning, Philippe, Good morning, Joao. I have two questions here from my side. The first one, again, in the new guidance, if we consider the mid-range in all business units, this downward revision on Razen Combustveis and Razen Argentina

means a lower EBITDA of around BRL400 million, more or less, even considering the upward revision at Moove. But your consolidated figure have kept on changing, which seems Energia, as you said, to imply stronger results on Comgs. So I just wanted to have more color on Razen Energia, if it makes sense to expect that you will reach the high end of Razen Energia's guidance as well?

And the second question on Razen Combustveis. We saw, once again your gas station productivity improving in the quarter. So just wanted to know whether you're already reaching some level of confidence to increase gas station conversion? Or if we should still expect some conservatism on this front? Thanks.

A - Phillipe Casale {BIO 20025617 <GO>}

Thank you. Thank you for your questions. So first on Razen Energia, we haven't adjusted the guidance. We are aiming here to probably hit the low range of the guidance, which is around 61 million tons of crushed, right? We saw a decrease here in productivity throughout the year as we showed, which impacted the fixed costs, right? So this will lead us to a number in between the midpoint of the guidance to the low end of the guidance, which is around BRL3.4 billion, BRL3.5 billion or BRL3.6 billion. So this is where you should look for Razen Energia for the year, right?

And on the fuels. In terms of station productivity. This has been something that have been a focus of Razen Fuels since the formation of this company. We are focusing on building and having the best network in terms of efficiency in terms of productivity. We convert stations that usually have a higher throughput per station to be part of our network. And this is what we have been seeing in the recent movement here at op expansion at Razen Combustveis.

So we have committed here to want be -- who want to be a leader of additional volume for 2019 and we are fully aligned with the number as of now. So we saw good opportunities of business throughout the year. We are even converting a little bit less in terms of number of stations, but as you mentioned the quality of those stations are higher. So this is what you should expect for us in a consistent way here in terms of expansion and renewal of contracts at Razen Combustveis.

Q - Pedro Soares {BIO 20879952 <GO>}

Okay. That was very clear fleet. Thanks.

Operator

Our next question comes from Luiz Carvalho, UBS.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Hi, Phillipe, basically two questions from my end. The first one is related to Argentina operations. Comparing actually your results with YPF's. I mean, there was a big discrepancy in terms of the performance of one of the two largest fuel distribution companies in the country. I just would like to understand because at the end of the day

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the freezing actually happened, I mean, towards the end of the quarter. So I just would like to try to understand if there was any one-off or any particular impact that you saw during the year, through the quarter that drove to, I would say, a weaker performance something that we might need to consider looking forward?

And the second question is related to Comgs. Looking to the numbers, there was a positive NPV in favor of the company as something close to BRL900 million, basically on the back of the review of the previous cycle. And I would like to understand if this reimbursement to the company would be through fare rates? Or how is this going to be play out? Thank you.

A - Phillipe Casale {BIO 20025617 <GO>}

Luiz, thank you. Thank you for your question. So in Argentina, we have -- we saw the biggest impact in August and September inventory. So the number around \$50 million that we stated, if we put that back on the EBITDA expected for the year, we will give it in the guidance. So this was the main impact we saw effectively in that business, right? Of course the economic and political scenario bring some pressure on demand, but even though volumes kept growing. So what led us to look here mainly at this one-off effect in terms of the price freeze. In Comgs, I'm not sure, I got your question, but if you -- unless you're considering U.S., the tariff review process that was concluded in May and was effectively through this quarter, right? I don't know if that's related to your question, I'm not sure I got it. And if you could repeat it?

Q - Luiz Carvalho {BIO 18040760 <GO>}

Yes. I mean looking through the numbers, there's a positive NPV in the numbers of something close to BRL900 million, to be more precisely BRL917 million on the back of the past tariff review. So I would like to know if this reimbursement to Comgs would be through the tariff or not? I mean, how is this going to be reimbursed to the company? That's the question. Is that clear?

A - Phillipe Casale {BIO 20025617 <GO>}

Yes, yes. Now it's clear. I'm sorry. So regarding the third tariff review process, it was still under public consultation until November '18. We have a final publication scheduled for December. And as part of the public consultation, Comgs is contributing to the process and will be partnership-ed by the regulatory agency. There's no numbers or anything we can discuss at this point in time.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Okay. Perfect. Thank you.

Operator

Our next question comes from Gabriel Francisco, XP Investimentos.

Q - Gabriel Francisco {BIO 20569389 <GO>}

Bloomberg Transcript

Sorry everyone. My questions were already answered. You can touch to the next one.
Thank you.

Operator

The next question comes from Vicente Falanga, Bradesco BBl.

Q - Vicente Falanga {BIO 16406266 <GO>}

Thank you. Neto I just -- I had a follow-up question on Luiz Carvalho's. Do you maybe sell less in Argentina to wholesale clients when compared to YPF? Because I understand you mentioned your inventory losses, right? But YPF did not report such significant inventory losses, and the downstream result was actually pretty solid, right? And we were thinking that maybe because whole -- prices to wholesale clients weren't frozen in Argentina, maybe your mix made you report more losses when compared to YPF?

And then my second question, also in Argentina, we should see prices officially in freezing as of November 13, right, which is tomorrow? Do you expect the companies to gradually start raising prices? Based on our calculations, refiners would still need to increase prices by about 17% to be in line with parity? And do you think that there will be room for that?
Thank you very much.

A - Phillipe Casale {BIO 20025617 <GO>}

Thank you. Now Vincente, I answered Pedro and I thought it was you. I'm sorry, Pedro. But, Vincente, regarding your question in Argentina and the comparison with YPF, we have to take a deeper look here of -- if we're separating the downstreams itself and what is the effective impact here. I mean, we did recognize this 55 -- \$50 million of inventories impact, which impacted, Cosan, of course, also with the final profits, right? But we need to take a closer look into the -- throughout the competition set.

So in terms of the price -- freezing of the prices it started to be unwinded in a gradual -- and again, in a rational, very rational way. It will depend on market conditions and how the market will behave. This is part of the recurring operation of fairly downstream focusing on the supply and the commercialization strategy, the pricing strategy and this will be related to the market conditions. So it's tough to say now when we're going to be able to narrow the discount.

Q - Vicente Falanga {BIO 16406266 <GO>}

Thank you, Phillipe.

Operator

(Operator Instructions) The next question comes from Gustavo Allevato, Santander.

Q - Gustavo Allevato {BIO 18933135 <GO>}

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Hi, Phillipe. Thanks for the opportunity. I have one question on fuel distribution. So can you quantify the inventory losses that you mentioned in the release? And the second question is also the shift in Argentina's operations. So if you can give sort of an overview how was the margin in October? If the company was posting a positive margin of that business or not? So it will be very helpful to try to quantify the results going forward. Thank you.

A - Phillipe Casale {BIO 20025617 <GO>}

Gustavo, thanks for your question. As you know we do not disclose inventories -- recurring impact of the inventories in our business. What I can tell you and you can keep that with price fluctuation, is that the July was the point where we have the biggest impact here, negative impact. So that was concentrated more in July. That's what I can tell you as of now.

Regarding the fourth quarter, I'll repeat myself here. We are seeing a gradual improvement in market environment. Fourth quarter usually is the strongest one in a year. That has been the case in the past few years. And in our guidance, we should and we actually do expect an improvement on the market environment and then an improvement on the results. So that's what I can tell right now about the Razen Combustveis.

Q - Gustavo Allevato {BIO 18933135 <GO>}

And how about Argentina?

A - Phillipe Casale {BIO 20025617 <GO>}

In Argentina, we cannot -- it's just the guide now on 4Q. We have the guidance based on the loss of \$50 million. And again we see how the market conditions will be for us to at some point in time tracking arrow the discounts.

Q - Gustavo Allevato {BIO 18933135 <GO>}

All right. Thank you, Phillipe.

Operator

The next question comes from Luiz Carvalho, UBS.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Yes. Phillipe, Just thanks for taking another question. It's just a follow-up on my previous question. Looking to the investor presentation from -- I mean, 5th of November, so one week ago. They clearly mentioned there's difference of BRL917 million in favor to Comgs? But I mean any chance that you can provide any color in terms of how this -- I would say, this reimbursement not be given to the company. And when we do can expect that? And then any views on this? I'm sorry to insist on this one, right?

A - Phillipe Casale {BIO 20025617 <GO>}

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No, Luiz, no problem. And thank you again for the question. But again the process is under project consultation right now. So the final schedule -- or the final publication is scheduled for December 16. We are participating actively in this process -- in these discussions. So we cannot anticipate what will be the decision and what will be the outcome. So we are contributing and following up with the process and the decision again will come in December.

Q - Luiz Carvalho {BIO 18040760 <GO>}

So in the schedule that you provided in the presentation that -- I mean the decision on the analysis of the public consultancy contribution will be given by 16 of December. But then the final decision it's going to be given by 31st of March, right? So 31st of May, sorry, by next year. So only by 31st of May that we're going to have any visibility on when or how the company might be able to reimburse it? I mean, should we expect anything earlier than that?

A - Phillippe Casale {BIO 20025617 <GO>}

Luiz, unfortunately, don't know but probably we're going to have to follow-up with the schedule after May 31. And you're right it's -- the date is May 31.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Okay. Thank you.

Operator

(Operator Instructions) Thank you. With no further questions, I would like to turn the floor back over to Mr. Phillippe Casale for his final remarks. Mr. Casale, you may proceed.

A - Phillippe Casale {BIO 20025617 <GO>}

Thank you, everyone for joining this conference call. We will see you in the next opportunity. Just one quick reminder here. We're going to have our Cosan Investor Day. It is scheduled for March next year. We will set the date shortly and hope to see everyone there. Thank you very much.

Operator

Thank you. That concludes the question-and-answer session for investors and analysts and the conference call of Cosan S.A.

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