

Y 2021 Earnings Call

Company Participants

- Ana Luisa Perina, Investor Relations
- Luis Henrique Cals de Beauclair Guimaraes, Chief Executive Officer
- Marcelo Eduardo Martins, Chief Strategy Officer
- Ricardo Lewin, Chief Financial and Investor Relations Officer

Other Participants

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

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for waiting. Welcome to Cosan's Conference Call to discuss the results of the fourth quarter and full year of 2021. Today with us we have Mr. Luis Henrique Guimaraes, CEO; Mr. Marcello Martins, Chief Strategy Officer; Mr. Ricardo Lewin, CFO and DRI -- and IRO; and Miss Ana Luisa Perina, IR Manager.

We would like to inform you that this event is being recorded, and simultaneous translation into English is available. (Operator Instructions). All participants will be able to listen to the presentation. Afterwards, we will begin the Q&A session, where further instructions will be given.

Before proceeding, let me mention that forward-looking statements that may be made during this presentation regarding the company's business prospects, and operating and financial projections and goals are based on Cosan's management's beliefs and assumptions, as well as on information currently available to the company. Forward-looking statements are not a 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 lead to results that differ materially from those expressed in such forward-looking statements.

Now, I would like to turn the conference over to Mr. Ricardo Lewin. Please, Mr. Lewin, you may proceed.

Ricardo Lewin {BIO 20342706 <GO>}

Good morning, everyone, and thank you for joining Cosan's fourth quarter and full year of 2021 earning conference call. For those who don't know me yet, I'm Ricardo Lewin, CFO and IRO. For the last four years I held the same position at Rumo, and before, I spent almost 10 years leading the M&A Department at a holding company. After establishing the position of Chief Strategy Officer, Marcelo Martins will be fully focused on Cosan's and invested companies' capital allocation process, while I take over the financial and IR roles. As this is the call for the yearly figures, are also joining me at the Q&A session Luis Henrique our CEO; Marcelo Martins; and Ana Perina, IR manager.

Before starting the presentation, I would like to recap the main achievements for the group in 2021, as you have been following. We started with the corporate restructuring and we streamlined our capital structure, especially with Raizen's IPO and Compass' private placements.

On the top of that, we also bought back shares through TRS, distributed BRL1.2 billion on dividends throughout the year, continued the liability management process, and invested in new projects across the group; always focusing on long-term return of our business portfolio, which once again proved to be well-balanced, exposed to sectors in which Brazil has important competitive advantages.

Let's get to the numbers. As both Raizen and Rumo have already hosted their own conference calls with the market, I will briefly go over the main topics of these businesses. I will start the presentation with the main financial and operational highlights of each business, beginning with Raizen.

Moving to slide number four to talk about renewables. We posted strong expansion in results, reflecting the increase in revenues from renewable products. In ethanol, we captured opportunities in our own operations and mainly in commercialization in an attractive price scenario, both in the local and international markets. However, the volume sold was lower in the period, reflecting the sales strategy for the year, and the lower product availability affected by the crop failure in the Center-South Region of the country.

Now, moving to slide number five. We talk about sugar. In the quarter, the segment posted lower sales volume due to drop in production and to its commercialization strategy, which will concentrate higher sales volume over the next months. This was partially offset by better prices captured by maximization of Raizen's pricing strategy. On the bottom right side of the slide number five, we present Raizen's agro-industrial operation CapEx. The higher amount was mainly due to the impact of inflation on agricultural and industrial inputs, the crop dynamics, and investments made to improve agricultural efficiency. It's important to mention that this quarter, we have already started investing in the new E2G plant located at the Bonfim Bioenergy Park.

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On slide number six, let's talk about marketing and services. We posted a robust result in the quarter, reaching a high quarter EBITDA leveraged by our supply strategy in Brazil, which includes import and inventory gains from price movement. The healthier operational environment created opportunities to capture efficiency and gains from the optimization of our logistic infrastructure, maintaining the focus on the return on capital. In addition, the volume of fuel sold expanded in the period, especially in Argentina. It should be noted that the numbers from Paraguay have already started being consolidated in Raizen.

Regarding the other important pieces of our marketing and services integrated platform, here are some updates. In Proximity, we keep the same pace of opening, adding 157 new stores through our network in the last 12 months. In Shell Box, the digital payment and loyalty platform continues developing at an accelerated pace. In the last 12 months, there were more than 36 million transactions that represented more than BRL5.4 billion flowing through the EPP.

Continuing this presentation with Compass gas energy on slide 7. EBITDA in the period was leveraged by an increase in demand for natural gas at Comgas, and by the inflation pass through on distribution margins which took place in May. On the top of that, fourth quarter '20 was negatively affected by the mark-to-market non-cash effect of energy trading agreement. In 2021, Compass posted record EBITDA in line with the guidance. We accelerated volumes distributed across all segments of activity, mainly reflecting the economic recovery and execution of the business expansion plan. About the CapEx, both in the quarter and in the year, most of it were Comgas investments, and the rest was allocated to the construction of Sao Paulo regas terminal, in accordance with the investment plan revised in August.

Finally, at the beginning of January, and therefore a subsequent event to these earnings result, we concluded the acquisition of 51% of Sulgas Capital. This movement aims to expand access to the benefits of piped natural gas, and contribute to the energy security required for the region's economic development.

Now, moving on to Slide 8 to present Moove results. EBITDA in the period was mainly impacted by the normalization of demand, which explains the lower sales volume. Know that in the second half of 2020, the company captured additional demand leveraged by the greater resumption of economic activity and market supply dynamics, even though in the year we posted the higher quarter EBITDA in line with guidance. The robust results for the year demonstrates the assertiveness of the pricing and supply strategy, capable of neutralizing the strong cost pressure and raw material supply restriction in the global market.

Moving on to Slide 9, to talk about Rumo. EBITDA in the period and in the year was harshly hit by the corn crop failure, due to the lower volume transported mainly the South operation. Also margins were pressured by higher variable costs, more significant than the increase in tariffs. Despite the challenging scenario, Rumo gained market share at the port of Santos, reflecting the commercial strategy focusing on maximizing its operational capacity. Besides that, we diversified cargo mix and started the operation in the central network at full capacity, already reaching a relevant share. In addition, the investments,

both in the quarter and in the year, are evidence of Rumo's capital discipline in the more adverse environment for cash generation.

Let's go through Slide 10, where we present consolidated figures for Cosan, on a pro-forma basis. This quarter, we kept consistency in delivering sustainable results, with a balanced portfolio exposed to sectors in which Brazil has important competitive advantages. The reduction in adjusted EBITDA in the period reflects the lower contribution from Rumo, and while net income excluding non-recurring effects was driven by Compass. In the year, we reached record EBITDA and net income levels, in line with the subsidiaries' growth plans.

Moving on to Slide 11 to discuss the financial highlights for the group. Regarding the debt, we kept our usual liability management process across the group, fundamental to face potential market fluctuations in 2022. Leverage stood at 2.1x net debt to EBITDA in the end of the period, within ideal levels for the group, driven by better results in the last year. Free cash flow to equity increased due to the higher operating cash generation at Raizen, settlement of the second round of private placement at Compass, and a debtor issuance at Rumo.

In this quarter, we received dividends and JCP from Compass and Raizen, and at the end of December, Cosan distributed BRL700 million in interim dividends to its shareholders, based on the net income accumulated until September totaling BRL1.2 billion spread throughout the year. Although there is no cash impact, we also reached almost BRL700 million in Cosan share buybacks using total return swaps.

Well, these were the main subjects related throughout the portfolio for the fourth quarter and 2021. We achieved important milestones in addition to delivering robust and consistent results. For this year, given the worsening macro-scenario with the increasing capital costs and inflation, we adopted a more conservative guideline in relation to the group's investments in 2022. We will maintain our usual capital discipline, seeking to further optimize CapEx, improve supply and cost synergies and have more fixed [ph] activity in the approval of new projects, ensuring the long-term success of the portfolio while maintaining leverage at adequate levels.

Before concluding my presentation, I will go over the recent developments on our EESG agenda on slide number 12. In November 2021, we signed a partnership with Braskem to join forces in a sustainable development agenda, supporting the circular economy and carbon neutrality. Also, last year for the second consecutive year, Cosan was selected as a component of the Corporate Sustainability Index ISE of B3, and Rumo also joined 2022 EG portfolio. Besides that, all companies from Cosan group achieved solid improvement in their CDP climate change scores. The highlight here is Raizen, we joined the select A list.

In order to strengthen governance, in January, we created at Cosan the Strategy and Sustainability Committee. On top of that, the People Committee was changed to People and Nomination Committee, including among its attributions the nomination of administrators. Important to note that both committees have the participation of

independent board members. Finally, the company was once again selected to be part of the Bloomberg Gender-Equality Index, GEI, reinforcing the way in which Cosan has consistently pursued the construction of an increasingly diverse and inclusive workplace. We have made significant progress in the participation of women at the leadership level, but aware that we have a lot to improve. This topic is a priority on the agenda of our executives.

With that, I conclude my presentation, and we may start a Q&A session with Luis, Marcello, and then myself. Thank you very much.

Operator

Before beginning the Q&A session, I would like to turn the conference over to Mr. Luis Henrique for a few comments.

(Multiple Speakers)

Luis Henrique Cals de Beauclair Guimaraes {BIO 17984872 <GO>}

-- for taking part in our conference call. Before beginning our Q&A session, I would like to briefly recap some points that the Board consider to be important. You've seen the results, but I really want to reiterate our belief in the structural data what have -- we've learned over the years, and the decisions we're beginning to make for 2022.

Lewin has covered this, but I want to go over our safety agenda again. It's been a very important year in terms of reducing accidents, incidents in projects, people and systems and that is closely related to our EESG agenda. And it's embedded in the culture of our companies. Things are happening from bottom-up, after a huge push from top-down. Huge improvements in information securities; we had -- we went from 1.2 to 2.77 in our score, and these are structural changes that will help us improve our results looking forward. Now, let me just let me just touch on the progress that we've had in terms of our sustainable results and value generation.

Let's start with Compass. First, we've extended our concession. It's been -- it's very important to get another 20 years, so we can continue to invest in Comgas, and the figures that we have achieved in the past with over 140,000 clients being connected. So, there are still a lot of expansion -- room for expansion in natural gas. We're going to have our proof of concept of our geographical expansion. The first couple of months are in line with what we expected with potential upsides, and great potential for turning the state company into a private company, and onboarding Comgas technology, which will definitely help us achieve our objectives.

Our TRSP, the Sao Paulo regas terminal, that's also an important part of the company's strategy. We're moving forward with that, and it's very important. It's a complex project but very, very important to the company. The private placement, as Lewin mentioned, high quality partners; and we now have the platform to make sure that we have the right resources for our investments. And of course, the electricity commercialization; some

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downsides, we lost some money there. But we recovered very quickly, reassessed and focused a 100% on developing gas commercialization. So, the team -- our management team and Compass is focusing on learning, recovering, and doing what we do best. So that's Compass.

Now, for Moove, continuing to improve our results. We've been improving our ability to generate results, even in adverse and complex scenarios such as the last couple of years in terms of supply chain, base oil challenges. And Philippe, [ph] our CEO has been able to spend more time abroad, with a very solid team in Brazil running the operation and he now has the ability to spend more time developing international markets, which is Moove's natural path forward. Now that we have more time and that we've hired more people abroad to go through the process of international expansion by a Brazilian company, understanding the local culture, but in line with our way to operate.

Now, Rumo. Our EBITDA align wasn't satisfactory. Obviously, we weren't happy because that was affected by the crop failure, but we continue to make the best of our efforts to overcome the goals for the year. But there were some things that were very important that will unleash value for the company. Our North operation will allow us to continue to expand our operation with better yields. Considering also the truck freight prices, what we have been seeing in terms of MRS is very important in terms of operational elements. Considering the port of Santos and also tariffs which will imply in a major reduction and increase in efficiency. The huge transformation the port of Santos has gone through considering the investments, decreasing bottlenecks, and allowing us to improve rail management at the existing and new terminals. We're ahead of time with our project, and we have achieved considerable volumes.

And last but not least, the considerable reduction in transit time. We were at about 70 turn around hours, considering Rondonopolis to Santos. So, considering all the pass-through of truck freight costs in the second half of the year, inflation on fuels, the cost of labor, cost of capital, that's all allowed us to be ready to capture the upside. Not to mention the toll on BR-16 -- 63 [ph], maybe not this year but definitely in 2023, some important structural changes and achievements, not only for the short term in 2022, but looking forward as well.

At Raizen, the consolidation of E2G technology. The market now has proven that not only it's there, but it's bigger than we had expected. So that will give us huge opportunities. And all the contracts, the integration of Biosev, quite a large and complex asset, but considering the industrial asset we've achieved results that were better than we expected.

In marketing and services, some important progress considering the results making the most of renewables and batching on Shell Box convenience and proximity. And also, the change in behavior in terms of structure by Petrobras in the way that it supplies the market, in the way that it fulfills orders, and the implication that has on company sourcing and pricing. Not to mention the IPO, which was very important in terms of making Raizen robust to deal with upcoming investments, and our entry into Argentina and Paraguay. So they prove our brand management thesis through the expansion of our sales and sellers.

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And lastly, structural issues. And at Cosan Investments, the EBITDA was better than we expected. The consolidation of the port, an important investment. The port was completed, and so improving logistics. Last night, we made an announcement, and I'll be talking about Mobitech a little bit more, that has to do with our vision for the future investments, and not as a specific business. I will be talking a bit more about that, and we're going into 2022 worried about the cost of capital, about inflation rate, interest rate. So, we've revised our business' projects allocation, business efficiencies, and CapEx optimization. We had BRL1.4 billion CapEx, I didn't mention that, and we've had another two quarters of BRL1.4 billion CapEx. So it's slower, but it hasn't affected growth or productivity. And if its consolidated, it may be transferred to the future which will be it will be great for cash generation and capacity.

That was Raizen. We're doing the same thing with all of our companies. We have some priority investments, but there is some rationality when it comes to CapEx. And that implies -- our -- affects our decision not to move forward with Mobitech. We love our partner, Porto Seguro is an important partner in our Shell Box journey, and we're going to think about things to see if there's a different way we can take part in our business. But it wouldn't have been prudent to make the investment that this business required, and it wouldn't be fair to our partner to keep up because we have other priorities with other businesses, and ongoing investments. So that's it.

Some changes you've been seeing the buyback movement. The buyback authorization, living [ph] has the mandate to buyback in our invested companies, Cosan and Rumo. And we will continue to go over it, to check if things are compatible with our current and future business.

So I just wanted to recap what was talked about during the board meeting. It's been a great year. Obviously, some areas have delivered more than others. There have been some changes -- challenges, considering climate phenomenon, but there have been some important structural progress, portfolio continuity, and the fact that 2022 is extremely important in terms of capital allocation.

That's it, and we can now move on to the Q&A session.

Questions And Answers

Operator

(Question And Answer)

Thank you. We will now start the Q&A session. (Operator Instructions) Our first question comes from Mr.Luiz Carvalho from UBS.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Hello, everyone. Luiz here. Ana, Lewin, hi, Luis Henrique. I think I could spend an hour asking you questions, but let me focus on capital allocation. And looking at Porto

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Seguro's press release, there's some more detail there and they mentioned a revision of the continuity of some of their investment projects. So I'd like to hear from you in terms of capital allocation. Porto Seguro's revision, is that a one-off? Are you looking at other assets? Are you re-visiting your capital allocation process? And if so, how should we be looking at that in broader terms?

Also Compass, and the other company invested in mining are not listed. Could you give us some more color about how you see Compass' development you've been making progress in some areas, but you've had difficulty in other areas? How the law will be interpreted on a federal level compared to the state level? Can you talk a little bit about Gaspetro? And give us a bit more detail about mining, what the next steps will be and how things are progressing. Thank you.

A - Marcelo Eduardo Martins {BIO 16440115 <GO>}

Hi Luiz, this is Marcelo Martins, I'll be taking your first question and Luis will be taking the second. Well, it's very clear in all of our businesses and at the holding that we always review our portfolio, because considering the current scenario, there is an increase in interest rates, taking the cost of capital to a different level and we need to be conscientious about how we're going to allocate that capital. As you know, we have historical capital discipline and we can move fast whenever we need to make changes. We like Moove packs thesis, we decided to make the decision to go into that business, because we support and we like the features. But based on our capital allocation structure, it would make sense to disperse all of that capital, because we're not just talking about what we were going to invest to buy our share, but that business really requires capital over time. So we made a decision, because it would be incompatible to keep that kind of investment plan considering Brazil's current scenario. Unfortunately, it was a matter of timing and that was our decision now. If things were different, the outcome might have been different.

Considering other projects, our decision to review our capital allocation is across the board. But in the case of mining, owing to the nature of the project, there are many hurdles that need to be considered over time. So we're not going to jump the gun and say we've decided not to allocate that capital to mining, because the way that operation has been structured and the time will have to make that capital allocation decision will give us that flexibility naturally. So we're happy with the time we have to make decisions, we're happy with the asset, we have acquired, because it's a very strategic asset. It also gives us the possibility to look at this project and make the most of this project with time and peace of mind. And as we go over the stages, we can decide on how much capital we want to allocate, how much our final share will be. We already have that flexibility automatically now. So that means we don't need to make any changes to the current agreement.

As for the third business we have invested in Radar, yes, we are extremely happy with the pavements we've made with the assets we've brought into the company and how they are going to appreciate our portfolio. So in terms of portfolio management, these are very natural movements considering the changes in the scenario, considering our vision and there is no doubt that our desire to use our liquidity to buyback the group's shares when the prices rise. Our objective right now is to buy Rumo, to buy Ra?zen and to by Cosan.

That is a clear mandate for Lewin and it includes the three listed companies in the group. If there were others, they would also be a part of that. So our priority has been and will continue to be the groups own shares, because they provide better value generation. If we have to move capital from other businesses that don't have the same valuation and don't generate the same value to do it, we will do it just like we've done and we've just announced.

I'll turn it over to Luis, so he can take the second question.

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

Yes. And the ability of the business as a whole to move quickly. We just -- based our decision on priority and capital allocation, the quality of the partner of the team are fantastic. Compass is still on its journey as we had disclosed before, looking at geographical expansion to replicate Comgas' success template, Gaspetro is going through CADE's process. It's on time. We're very optimistic about the decision's outcome, but we need to wait until the process comes to an end, because it's an important change to the market. A 100% of the gas activity are with Petrobras and for other companies such as Compass that are in the market are going into a highly regulated area state level and now with the federal framework considering free clients and so on and so forth. So we are working hard on this interaction on this articulation and nothing changes in the market.

The market always has forces going into every direction, but the opinion of the investment creating infrastructure will prevail, because there is enough supply, the issue is demand. So we need to create the infrastructure and the demand. Comgas has proven it can build a network that will take on all the distributors or the transporters in Brazil to connect more clients than the existing clients of all existing distributors and there is no other way forward other than efficiency, free clients and gas competition with other energy elements. So we're very excited, obviously opinions diverge, but we hope that facts and technical elements will win as opposed to market protection instead of market development, which is the best outcome for the market and clients. So that's a great example and we will be doing some important things as soon as we can. Hopefully, we'll be able to do the same soon with other Gaspetro operations that will come to the portfolio.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Great. Just a quick follow-up Luis. Do you have any idea about operating gains, synergies? And Marcelo, so Porto Seguro's decision which might happen in other businesses it's just a matter of priority given the matter of capital restriction, high interest rate, so you are, it's a matter of a priority of what you want to buy.

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

Yes, exactly. That's it Luiz, that's exactly it.

Q - Luiz Carvalho {BIO 18040760 <GO>}

What about Sulgas, Luis, any idea there?

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

Well, what we see there, Luiz, is operating technique, business model approaches, we will be replicating that based on what we did with Comgas. The conversion of new businesses some clients are already looking at the network based on that, but when you consider scale, they're much smaller than Comgas. There are smaller distributors that can be developed over time. But what I can say is that high quality team, high quality asset, an opportunity for multiplication, our team is extremely happy with the thesis. We've been there for two months, so there's a lot of foundation work to be done, we need to work on culture, optimization, but the first 60 days have been very, very positive.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Fantastic. Thank you so much.

Operator

We now have a question from Isabella Simonato from Bank of America.

Q - Isabella Simonato {BIO 16693071 <GO>}

Hi, everyone. How are you?

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

We're doing great. Thank you.

Q - Isabella Simonato {BIO 16693071 <GO>}

Thanks Luis. Good morning, everyone. I have a question about the controlling companies leverage. You mentioned the high interest rates, inflation. What kind of opportunities do you see in terms of liability management both at the controlling company? And if there's anything that you think is relevant about the subsidiary companies. But focusing mainly on Cosan, what can be done considering this new scenario and the new cost of capital as you've mentioned? So that's my first question. Thank you.

A - Ricardo Lewin {BIO 20342706 <GO>}

Hi, Isabella, this is Lewin. How are you doing?

Q - Isabella Simonato {BIO 16693071 <GO>}

I'm good. Thank you.

A - Ricardo Lewin {BIO 20342706 <GO>}

Well, in terms of leverage, this is an adjustment of the CapEx we're doing across the board in the group. All the groups have shown a consistent discipline. So now we are prioritizing our investments across the board in the group. So that's the first important point when it comes to leverage. As for liability management, our next maturity that is the bond '23, we've already partially paid for that and our amortization schedule is looking

great, our next big payment will be bond '27. And you know us, we're constantly looking for opportunities to prolong and to reduce price and the cost of debt, but so we need -- we now have the prepayment of '23 and looking at market windows to go over the liability potentially for '27.

Q - Isabella Simonato {BIO 16693071 <GO>}

Okay. That's great. Thank you, Lewin. And the second question is about the buybacks. Marcelo mentioned those, he said that you've been doing that consistently. So considering Raizen, which has a smaller float proportionately and considering liquidity, how are you thinking about that, the size of the float, Raizen's liquidity in the context of buybacks?

A - Marcelo Eduardo Martins {BIO 16440115 <GO>}

This is Marcelo, Isabella. We talked to B3 to ask for an exception, so that we could have a bit more flexibility for shareholder to buy back shares and a commitment to increase that float in the long-term. That paper has to go back to the market at some point and we'll need to increase the company's float. That is our commitment to B3 in the mid to the long-term. And B3 has exceptionally given us the flexibility to buy that back now and as the market looks more favorable as prices make sense, we will be selling papers again and over time, we should be able to find the right equation to get to the minimum of the float that is required.

Yes. We're still quite unhappy with the average liquidity of that paper and our goal is that liquidity should increase over time. We don't have a clear answer to you right now about what we're going to do in order to achieve that end, but what I can tell you is that right now, our objective is to buy those shares with an immediate impact on the volume but that will be going back to the market. We will be selling, obviously will be buying, but we will be selling those papers also.

Q - Isabella Simonato {BIO 16693071 <GO>}

And considering the share class, the class, will you be unifying that? Have you been talking about that? When you talk about selling papers or new shares, what kind of price are we talking about?

A - Marcelo Eduardo Martins {BIO 16440115 <GO>}

No, we're not talking about that, maybe we will in the future. Our goal right now is to make sure that there's more liquidity when it comes to those papers. So shareholders will be making a joint effort to increase liquidity when the time is right in the market. So that we don't have the same compression we're seeing now. The point we convey to B3 was as we -- as shareholders can buyback those papers, we're helping to improve liquidity over time and we're also making sure that paper doesn't lose sustainability based on the fundamentals, because sometimes that's based on liquidity rather than fundamentals. We have more of a liquidity issue rather than fundamental. So in practice, right now, the idea is to buy them back and we're not talking about unifying classes even if that might be a possibility down the line. That's not the case right now.

Q - Isabella Simonato {BIO 16693071 <GO>}

Very clear. Thank you so much.

Operator

(Operator Instructions) Our next question is from Thiago Duarte from BTG Pactual.

Q - Thiago Duarte {BIO 16541921 <GO>}

Hi Luis, Ricardo, Marcelo, Ana, everyone in the team. I'd like to go back to leverage, please, and maybe rephrase the question. In your release, it's clear that you're being cautious. Since we have high inflation, rate high interest rates, high cost of capital. And how that was part of your decision to end your contract with Mobitech and also to maximize the CapEx in the assets you have in your portfolio? So we're talking about 2.1 times leverage and that was an unfavorable quarter, especially considering Raizen, because of seasonality. My question is, due to the higher cost of capital and your decision to focus on your current assets, does that change what you considered to be the ideal leverage for the company or the target leverage for the company? Because your leveraging is not that different to what the holding has had historically, but now you've made this decision to be a bit more cautious. So I'd like to hear from you if we should consider a different target leverage level to what we're seeing right now. So that's my first question.

My second question is about futures. In the past you've always been very vocal about the idea of having in your permanent portfolio listed companies. So we've had Raizen's IPO last year, Rumo is listed, so I'd like to hear about the other companies, whether it be Compass, because I'm sure it's important for Compass to deliver a few milestones before going to the capital market. But I'd like to hear from you about your permanent portfolio and listing companies. Does that still make sense to you? Thank you.

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

I'll take the first and then I'll turn it over to Lewin. There has been no change when it comes to our structural that, but if interest rates go up, we have to be more conservative considering what makes more sense in terms of return and what makes more sense right now in terms of cost of opportunities. So the decision to discontinue our deal with Mobitech was a very tough decision, but it was unquestionable, because the capital allocation that would be required for that project right now was incompatible with the level of conviction we have at the moment that it makes more sense to buyback more shares. But will you be using exactly the same value? Well, not really the same amount, not really over the next few years. What we might use for Mobitech might be more than what we'll need to buy back shares. So we won't be making that decision right now, because we're a holding company, we're a portfolio manager, and our decisions are made and implemented very swiftly.

So what makes sense, right now, is to move capital away from these projects to make sure the holding company can buy back shares. We may have some long-term net savings, but right now what we're doing is using our capital to buy back shares. Our company is focused on growth. We do not want to stop growing. We do not want the market to see

this movement as focusing on our current portfolio, instead of growth, that is not true. This is a one-off, because of the current scenario, and I think the market expects that from us to act swiftly to readapt owing to a scenario, that is penalizing anybody who takes on that to grow unfortunately. But it does make sense especially considering how the shares in the portfolio have been penalized for us to buy them back, because there's a great deal of value in doing that.

But out of everything you said to me and I think your comments make sense, please do not think that we're going to stop growing, not at all. We will continue to make investments, when they make sense for the current scenario, considering interest rates and the cost of opportunity for the company in terms of our portfolio management. So this is a very conscientious decision for right now considering the very complex scenario. But as the scenario changes, as interest rates go down, as we have more predictability when it comes to the political scenario, we can focus on growth again. And that applies to the portfolio as well, because our CapEx reduction right now is based on the same mindset, because the cost for the companies also means we have to go over other projects that are not as attractive as they used to be and that is the short-term objective. But we will continue rethinking our strategy and communicating everything to you very clearly.

A - Ricardo Lewin {BIO 20342706 <GO>}

As for your second question, Thiago, nothing changes when it comes to the holdings portfolio. It's a listed company. We're preparing companies that are not listed, Moove and Compass and to prepare them to float as soon as we have the right liquidity and the right window in the market. So obviously they have different levels of maturity when it comes to an IPO, Compass is better prepared, Moove might take a little longer, but it is being prepared for an IPO and nothing has changed when it comes to our strategy.

In terms of Cosan's leverage, our target is from 2 to 2.5, so as long as we are within that range, we're comfortable. We might bring it down a little, if we want to decrease our leverage at any point, but our range target has not changed. It continues to be the same.

Q - Thiago Duarte {BIO 16541921 <GO>}

Excellent. That was very clear. Thank you.

Operator

Our next question is from Regis Cardoso from Credit Suisse.

Q - Regis Cardoso {BIO 20098524 <GO>}

Hello everyone. Thank you for answering my question. Can you hear me, Okay? Luis, Marcelo, Liwen.

A - Ana Luisa Perina

Yes, we can Regis.

Q - Regis Cardoso {BIO 20098524 <GO>}

Thank you, Ana. I have a couple of questions. The first one is still about Mobitech. Your decision to cancel the investment, was that your decision, will there be any fines or penalties? And I'd like to ask about the holdings SG&A level, it's a little bit higher about BRL100 million per quarter. Is that a recurring level? And what about Radar's results, their EBITDA was higher with the land valuation considering the lease and the revenue. Could you separate out what was the valuation separately? I have a few more questions, one of which is very philosophical, because the holding company it's that right now is close to BRL11 billion. How are you seeing that the operating initiatives have plans for investment? So a relevant part of that might come from the operating companies, dividends, or maybe an increase in capital. How do you balance those two views? Can the operating companies pay out more than 25% of the profits? Thank you.

A - Ricardo Lewin {BIO 20342706 <GO>}

Thanks. Regis. I'll take the first question. Let me be very, very clear, Marcello has already talked about this. Yes, the decision about Mobitech came from us, because we have been reviewing our investment priorities given the current scenario. They are a great partner. We truly admire, Porto, the quality of what they do as a company, the quality of the project. We still believe in the project. But sometimes in life, you have to make tough decisions. They're not the easiest but they make sense, because they preserve the integrity and the quality of our management. There is nothing wrong with the project, quite the contrary we wouldn't have been able to make the investment considering the cost of inflation, interest rates, the higher cost of capital. We need to ensure that we continue to invest in ongoing projects, we need to complete them, so we had to make that decision. There were some proceeding elements that had to be concluded and we wanted to be transparent with our partners. So we came to this model that made sense so that they could continue with the project as they see fit. There was no question about that in terms of the position, the ethical quality of our current partner, they will continue to be our partners for many years to come.

And now, let's talk about SG&A radar, the debt and the operating flow. So SG&A, nothing different to what was expected. There was an increase in the rationale. Cosan Investimentos, lots of additional investments this year, Radar, Porto, it's what we always say to the market about BRL250 million.

I'll take the last one and then Ana can talk about the land valuation. Let me see if I got your question right. What you're saying is, we've already talked about our debt amortization schedule and it matches our asset flow and everything we do, so we're very comfortable with the debt amortization schedule and our ability to cover the interest and the principal.

I'll turn it over to Ana. I hope I've answered your question, but if I haven't please let me know.

A - Ana Luisa Perina

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Regis, still under that, last year, we issued a couple of debentures at the holding, so we've done the prep work and we're holding part of those resources, as we announced when we made the issuance. So we'll always be looking at the best opportunity. Last year, we paid our obligations with preferred shareholders and our liability management is definitely part of our recurring process at the holding company.

I just want to point out the two effects they've had in our results. So, we have an estimate, a monthly estimate of potential land valuation effects and we'll be seeing that in our revenue and expenses at Radar, but you get an annual report that confirm those amounts and that's when the actual accounting takes place. So, this year that accounting happened in October, a month before the acquisition, but after the deal was closed, so that led to a different effect. We had a gain which was an appreciation and a portfolio, from one year ago. In the P&L of the two months that they were already with us, we have from BRL30 million to BRL40 million of revenue from the lease for two months and another BRL20 million, in other revenue that comes from land valuation, land appreciation, among other effects. So once a year we have the numbers, but we actually disclose the results every quarter, okay?

Q - Regis Cardoso {BIO 20098524 <GO>}

Okay, great. Thank you.

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

And we terminated the agreement; it was a mutual agreement to end the contract, so it was completely consensual from both parties, okay.

Q - Regis Cardoso {BIO 20098524 <GO>}

Fantastic, Luis. Thank you.

Operator

(Operator Instructions) The next question is from Gabriel Barra from Citi.

Q - Gabriel Barra {BIO 22244309 <GO>}

Hello Luis, Hello Marcelo. I have a couple of questions.

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

I'm sorry Barbara, we can't hear you. That's better. Okay. Great. Thanks.

Q - Gabriel Barra {BIO 22244309 <GO>}

I have a couple of follow-up questions, please. The main one about Compass, you've talked about Compass, you've talked a lot about Mobitech, so I won't take up your time with that. But do you think that business might continue on operating terms, but without the cash expense? Because as far as I understand it, that is the problem, because there were some interesting synergies there. Would you be able to do that operationally

without that cash expense? So that might be a solution for your capital allocation issue. That's the first one. The second one is about Gaspetro. Could you share with us what the CADE timeline might be? How long do you think that discussion will take? And I know it's a complex issue, but is there any remedy that might make the deal not make sense to you?

And thinking of Compass, when we go back to the IPO, one of Compass' main points is the potential integration. That's the main debate when it comes to the Gaspetro purchase and different sectors in the market. So what I'd like to hear from you is, what do you think about that? How do you think the really is an integration among these businesses? What kind of synergies are there? And will that affect competitiveness in the sector. And considering the gas market, I know, there's a lot to be discussed when it comes to regulation, but what would be the main point right now that we should be monitoring, so that that business can gain more traction in the short to the mid-term? Thank you.

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

So Mobitech, yes we do have the operating conditions in Raizen and Porto, we'll continue on the same path. And if there are synergies, it will continue, because the group companies do believe in the thesis. Gaspetro and CADE, it will take the usual time, the limit will be the end of June, that is the official deadline for the authority to issue its opinion and we believe that it will take place within the deadline. So, the time for questions and answers is on schedule, so we just need to wait.

As for the remedy, well, we don't see the need for that, these are natural monopolies, there's regulation to make sure that there aren't any cases of reviews at the same time that has -- that's happened with other companies and privatizations across Brazil. The distribution market is different it's a natural monopoly, it's regulated with the rite of passage for any buyer, seller, trader. There's a huge confusion, many people are confused about that. A chemical company can buy the molecule from a producer and use Comgas' network to transport it and pay Comgas based on the tariffs that were established by the regulator for free client in that segment at that volume. So the structures are completely competitive and completely open.

What Compass has been trying to do, but the market still needs to evolve is to connect producers with free clients through commercialization. It will always be a competitive market. There will always be competition, but some companies need to provide liquidity in the market to take on risk, to buy wholesale and sell in retail, which is the role of these companies in any sector, electricity, fuels, food. That's what happens in all these industries. So there's a huge confusion in the gas sector, but it's necessary work and it involves risks, it involves people and it involves competition. We're trying to develop that market obviously it's not easy, because there's a monopoly trend, with Petrobras, so it will take time. There is no alternative gas supply for that, but we are working with our team developing market, talking to neighboring countries, talking about different terminals, buying from third parties, to try to develop new free clients in the market. As you know there's practically zero across Brazil, so we're trying. There are attempts and we are at the forefront of many of these attempts. I don't know if I answered your question.

Q - Gabriel Barra {BIO 22244309 <GO>}

Yes, you did indeed. Thank you very much. It was very clear.

Operator

We now have a question by Bruno Montanari from Morgan Stanley.

Q - Bruno Montanari {BIO 15389931 <GO>}

Good afternoon, everyone. Thank you for answering my question. You're adopting a very conservative approach, which makes sense in the current scenario. What might change your mindset to start investing a little bit more? And bearing that in mind, considering the group's companies right now, what might be the main upside surprises when it comes to your 2022 results? And what are you mostly concerned about when it comes to this year's results?

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

Well, first of all any abrupt change such as the one we went through and are going through the change in inflation rates, interest rates those require adjustments. We've talked to you at other conference calls that translation of all that enterprise is happening and will happen. Let's not delude ourselves that the cost of capital will not affect prices, products, tariffs, but there's a time for that to happen. And the advantages and disadvantages, relative advantages and disadvantages for different companies will also happen the competition also suffers. But there are different pass-through rates, different transition times, where all going through high interest rates, high inflation rates, and this happened very abruptly in Brazil from 2% to 10% and then to 12% obviously it requires an adjustment. So that's the first point. It will become more crystallized as we have more visibility.

And then the other (Technical Difficulty) confidence, hence our buyback move that we are very well positioned when it comes to Brazil's main value drivers agriculture, electricity, renewables, continentals size company with huge population and with an average purchasing power. So our beliefs have not changed, our project management hasn't changed. What has changed is an awareness that these are different times. So we need to watch and wait, we won't stop our E2G plan projects, we're committed to that, second half of this year, we will continue with our expansion of the North network, but we might be able to decrease our share and divest from assets that are not core to us.

We don't believe interest rates will remain at this level, we think interest rates have to go down, Brazil needs that, especially considering inflation, and then our position will change again. We're just being cautious, this isn't about panic or not taking off our foot off the pedal from things that need to happen. We're just looking around because there are always opportunities when it comes to OpEx, CapEx, projects, we need to look around, accelerate, generate synergies and that's what we're doing. We're being responsible at a time of huge changes when it comes to inflation rate, the cost of capital, cost of commodities, which affects the cost of construction, supply chain that's all changing and we're taking it all into consideration to make sure that we'll be building assets that will

continue to be profitable, well structure, competitive in the short, the mid, and the long-term.

Q - Bruno Montanari {BIO 15389931 <GO>}

Thank you, Luis.

Operator

Next question is from Gustavo from Bradesco BBA.

Q - Analyst

Good morning, Luis, Marcello, Ana. I have a question about Comgas. There was huge cost pressure this quarter. Could you talk a little bit about pass-through and diesel and Petrobras policy, it's being a little bit more reticent when it comes to passing-through? And my second question is about mining. You took a very important first step, which was concluding the purchase of the St. Louise Port. Of course, there are many steps involved in the process. Could you give a bit more color about that and what the next step will be? Will it be the EV with Paulo Brito, or will you be making more investments in the Porto before taking that step?

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

Okay. I'll take the question about Comgas, the price of fuel and pass-throughs. What happened at Comgas was when we came up with the terms with the Sao Paulo government, the regulatory agency for the concession. There were some fines and other issues that we needed to talk about advantages to the granting authority that made it taken the concession and the expansion into consideration. IGPM to IPCA and the tariffs in December 2022. So that went all to the fourth quarter, so none of those are recurring, they are non-recurring, it has to do with the extension of the concession for another 20 years.

As for the fuel, it similar to what I said of the cost of capital, interest rates and the competition. Diesel's more expensive, fuel oil is more expensive, and so well gas be more expensive, the regulatory authority and the granting powers have to be aware that this will lead to higher prices and problems in the future. So we're not concerned about that, but obviously this could lead to overall consumption reduction, but that's a macroeconomic issue, we need to make sure that we remain competitive that we're looking after the client and that we are the best alternative considering concessions in Sao Paulo, Rio Grande do Sul and any other concessions that happen in the near future.

Well, in terms of mining, in 2022, the main events were the purchase of the additional port stretch, some CapEx for the port and low CapEx for mining per se. So low expenses, when it comes to that project this year, we will continue to test and confirm the mineral potential and as of next year, we have more decisions, important decisions to make. Based on the feedback we'll get from the technicians will be able to decide on the actual potential. And how much will be spending depending on the final stake of the -- in the project. So that's for 2023. We've done the most relevant things for this year. So there are

many stages we need to go through and in practice our capital allocation will be low, at first it will increase over time and we'll have the flexibility to make that decision and we will communicate the next steps to you, but don't expect much for 2022. It will be a quite year for that project. Things should pick up next year.

Q - Analyst

Thank you. That's very clear.

Operator

Next question is from Sebastian Hickman from JPMorgan.

Q - Analyst

Hi everyone, this is Lucas actually, can you hear me?

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

Hi, Lucas. Yes, go ahead. We can hear you.

Q - Analyst

Good afternoon. I have a couple of questions. The first one is, considering your portfolio management strategy, will you be divesting from any assets? Would that make any sense? You've had a few rounds with Compass and Compass' capitalization is doing great. I don't think it needs any more capital, but do you think this year are there any other assets, I mean you bought back radar, are there any other assets in your portfolio that you're considering divesting from? And another question, maybe to Luis and Ricky, or Marcelo, how should we consider your investment scope at Investimentos? Are you looking abroad, what kind of things are you considering, energy transition would that make any sense to you, you talked about a more challenging scenario. Are there any themes you're considering when it comes to long-term investment, I know you've raised the bar, when it comes to investment, or would you be focusing on Brazil only?

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

Well, let's start with potential investments. Our current goal is not to divest from our portfolio as we said. We might have Compass' IPO, which should lead to some dilution, but not divestment. We will continue to list our company's Compass should be the next one on the list when we have a market we don't feel the need to go through that IPO, right now, the Company's capital level is good. It's indebtedness. Structure is low, low debt. The company tends to be more conservative. But when we do see the right market window, we will be going through the company's IPO. And move will also become a listed company is that another investment level we can talk a little bit more about that if you like. But that's what we see in terms of relative business dilution. We don't see any divestments. We have acquired Radar, we're very happy about that. If there is an opportunity to buy any additional stake, we will consider it.

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But in general terms, what we're saying is that we are still actively looking for investment opportunities, but we are reallocating capital within the group that's key and we will continue to do that. Well, we're still going through the current capital scenario, we see you right now Brazil. You asked about whether we're looking abroad obviously move, would be our vehicle to achieve that objective. We do intend to increase our exposure to other stronger currencies outside Brazil, and we're very excited in terms of operating model, company culture, management, and we think we're ready to scale that up when the opportunity presents itself. So Philippi and the team are looking for opportunities actively, as we said in the Americas, North America and Europe, because we see similarities with Brazil and opportunities.

Asia if it happens, it would be great, but it's a very different culture, so we believe it would be more relevant to take a step in areas we know better. There are small operations in Europe, but they are scaling up and down also opportunities in the U.S. And if there are targets we will go for them, we are actively looking. Moove's cash position is one of liquidity, and it's very healthy and we will use that in an acquisition and hopefully that will happen in the next year. So we're going to grow Moove, we're going to increase its exposure to strong currency that is our main goal and we have been seeing opportunities that make sense, and that's where we will probably be going in the next year.

Q - Analyst

Thank you. That's very clear. Thanks.

Operator

Thank you. This concludes the question-and-answer session. I will now turn the floor to Mr.Luis Henrique, for his closing remarks.

A - Ana Luisa Perina

This is Ana. Thank you so much for taking part in our call. We've had a few questions in the chat box they were all answered by and they answers that will given to the analyst, but if you do have any additional questions, please do get in touch with us.

I'll turn it over to Luis Henrique for his final remarks.

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

Thank you so much for your questions, it's always great to hear your questions anything you might need clarified. As we said, we did deliver there are there is room for improvement when it comes to results, but we are on top of it, all of our teams at the holding are working to make sure that happen, structurally speaking we've been doing very well, we have a great position for each of our assets, all business trends are favorable in terms of renewables, distribution, agricultural growth, supplying the world and so on, and so forth.

Not to mention, our huge ability to reduce our carbon footprint, when it comes to our businesses and our partners, it's a very complex scenario. In the short-term, we heard a lot

about high interest rates, high inflation rates, and high costs in general. So that requires us to be a bit more conservative than we usually are. But it also allows us to look at opportunities and to make any necessary adjustments with the right speed. But we're very excited about opportunities, prospects and we see cost settling in the different value chains different segments and will allow us to become a more competitive and efficient player to capture any additional value that we see in the short and the midterm.

You will continue to hear from us, we will continue to be transparent. So all of our teams are focusing on delivering what we disclosed in our guidance. Raizen will be posting this year's crop years results. Thank you so much and take care.

Operator

Thank you. This concludes Cosan's conference call. Have a nice day.

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