

Y 2020 Earnings Call

Company Participants

- Joao Arthur Souza, Head of Finance
- Luis Henrique Cals de Beauclair Guimaraes, Chief Executive Officer
- Paula Kovarsky, Head of Investor Relations and ESG
- Phillipe Casale, Executive Manager of Investor Relations

Other Participants

- Andre Hachem, Analyst
- Isabella Simonato, Analyst
- Luiz Carvalho, Analyst
- Regis Cardoso, Analyst
- Rodrigo Almeida, Analyst
- Thiago Duarte, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Cosan's Fourth Quarter of 2020 Results Conference Call. Today with us we have Mr. Luis Henrique Guimaraes, Cosan's CEO; Mrs. Paula Kovarsky, Head of IR and ESG; Mr. Joao Arthur Souza, Head of Finance; and Mr. Phillipe Casale, IR Executive Manager.

We would like to inform you that this event is being recorded, and all participants will be in listen-only mode during the company's presentation. After that, there will be a question-and-answer session for Industry Analysts. At that time, further instructions will be given. (Operator Instructions) Today, we have a simultaneous webcast that may be accessed through the website ri.cosan.com.br. The slide presentation may be downloaded from this website as well. There will be a replay facility for this call on the website for a week.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Cosan 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'll turn the conference over to Mr. Phillippe Casale, who will begin the presentation. Mr. Casale, you may begin your conference.

Phillippe Casale {BIO 20025617 <GO>}

Good morning, everyone, and welcome to Cosan S.A.'s fourth quarter year 2020 results call. The fourth quarter was the closing of the year that will undoubtedly be known as a history. It's common knowledge that the pandemic challenged companies, and they are deemed to respond and adapt to a new reality quickly since the beginning of the year.

For us, at Cosan, the name of the game was agility and execution. We adapted quickly right on the onset of the crisis, while simultaneously preparing for an economic rebound. By focusing sharply on execution, safety and discipline, we delivered robust results in 2020.

Let's begin presenting the results for Raizen. However, before that, I would like to provide more insight into the new reporting breakdown of Raizen's results. The new format provides the more precise distribution and organization of operations, while improved NOIs [ph] and the understanding of Raizen's business model as well as the ability to capture value throughout the entire value chain.

We are now placing each of the products sold and services provided by Raizen into their respective new reporting segments. Basically, we split the results from Raizen Energia into two new segments; sugar and renewables. The segment previously known as Raizen Combustiveis will be named now Downstream & Proximity and will comprise the fuel distribution business and convenience stores, the Grupo Nos results in Brazil, and also the downstream in Argentina.

So now moving on to Slide 4. Let's begin with Brazil operation. The recovery trend in demand shown during the 3Q '20 was maintained during the last quarter of the year. The pandemic continues to affect the lives and routines of everyone. However, we could see successive improvement in sales for the Otto cycle. For the jet fuel segment, we -- volumes also showed some improvement, but it is still the most affected product based on reduced air traffic and on Raizen's commercial discipline.

In the diesel segment, despite a slight reduction in sales over the third quarter, demand grew by 6% year-over-year. Good news is that despite impacts from the pandemic and the hacker attack we faced on March, diesel volumes grew 1% during the year. As a result, adjusted EBITDA was BRL619 million in the quarter and BRL1.9 billion for the year. As we have forecasted in the previous calls, the robust returns in the second half of 2020 were based on a successive improvement in demand, which created a healthier business environment.

During the year, the price volatility we experienced required an even stronger focus on the execution of our sales and supply strategies, which were key to this improvement in the returns. It's worth mentioning here some impacts on the -- on 2020.

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Firstly, we no longer consolidate the results from convenience and proximity stores. Second, the lower contribution from the aviation segment, which as we previously discussed was negatively affected by the reduction in air traffic flight routing and by our discipline in credit risk management. And, finally, this cost is related to RenovaBio.

So speaking of CapEx now, the lower investment results from the postponement of some expenditures in infrastructure, while we kept the pace of renewed contracts and bringing the best quality stations into our network.

An update from operations of Grupo Nos, Raizen's JV with Femsas in the convenience and proximity segment. This was a very important year for us. So we have the launch of the first four stores carrying our OXXO brand in Campinas area in the state of Sao Paulo in addition to our current distribution center. In 2021, there are plans to continue expanding our own stores and the franchises.

Let's now go through the downstream operations in Argentina. The pandemic impact in Argentina during 2020 were more intense due to an even stricter lockdown that lasted up to November. Consequently, fuel sales faced a 25% reduction over the year. A measured improvement can be observed during the 4Q '20, which supports the gradual recovery of gasoline, diesel and aviation fuel demand. The adjusted EBITDA of Raizen Argentina was \$57 million. This result reflects the increased demand, lower unit cost of inputs and products and also the gradual recovery of sales price, which contributed to a better return overall.

Before discussing the results for sugar and renewables, I will present Raizen agricultural and industrial results. This section reflects the dedicated segment setup within Raizen, which focus on agri business and productivity. The third quarter of 2020-2021 harvest year was marked by the completion of the year's main crushing period, where we achieved 61.4 million tons of cane crushed, a 3% increase in processed volumes compared to last year.

Agricultural yield increased about 6% during the harvesting season and is especially the result of investments we have been making in recent years as well as the drier climate. The production mix grew 53% weight in sugar, which clearly reflects the increased profitability over ethanol.

Talking about unit cash costs, excluding the effects on CONSECANA. The efficiency gain has resulted in a drop of cost, both in the quarter and in the crop year. On CapEx, the decrease both in the quarter and in the year is explained by the delay in expenditures with planting and land -- and field renewal due to the drier climate season affecting somehow the scheduled planting period. It is still too early to assess the impact this delay may cost to the next crop, and it can be partially offset by a rainier intercrop season, which we are experiencing right now.

Moving on to the next slide. We will highlight the results from two new segments -- the two new segments that were previously reported within Raizen Energia. And let's begin with sugar. This new segment comprises the sale of our own and third-party sugar, which

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we call the resale and trading, and this consists basically in originating sugar from third parties and applying Raizen's expertise and infrastructure to capture increased value through the value chain. We have been gradually increasing our direct sales to final customers, eliminating intermediaries to consistently improve returns from the sugar operation.

The increased availability of our own products, aligned with our sales strategy for the crop, resulted in a volume of sales nearly 3 times as large than in the same period last year.

Adjusted EBITDA was BRL860 million in the quarter, an increase that reflects not only the higher volume, but also the better average price.

On the hedging of sugar, we made progress in hedging for the next two crops, taking advantage from improved competitiveness of Brazilian sugar that resulted from the valuation of the BRL. The price of the commodity in reals is at historic highs with an outlook of increasing returns for the coming years. For the current harvest that ends in -- this coming March, Raizen already hedged 100% of the -- of our exported sugar at an average price of BRL0.63 per pound weight. For the next crop 2021-2022, we have hedged over 80% of the sugar at an average price of BRL0.66 per pound weight. And for the 2022-2023 harvest year, a little over half of the crop is hedged at a price close to BRL0.75.

Now moving on to the next slide. We will present the results from the renewables segment, which is the -- with the sales operation for ethanol, bioenergy and other products that comprise our renewable energy portfolio such as biomass and other subproducts, such as vinasse, for example, which is originated from the sugarcane crushing process as well as solar power.

Ethanol sales in the quarter were in line with the same period from last year. Despite the lower volumes produced, we accelerated the sale of ethanol this quarter to take advantage of better prices. We consistently priced our ethanol above market average, which reflects not only our diversified portfolio of products, which includes second-generation ethanol, industrial and export ethanol, but also due to our financial hedging strategy over the sale of ethanol, which we call the proxy hedge.

Moving on to bioenergy, own volume of power sold was lower than the same period last year. The last favorable scenario for prices in the spot market along the 4Q '20 created lower incentives to originate biomass and to generate more bioenergy. Having said that, the adjusted EBITDA for renewables was BRL751 million, reflecting the increased -- from our own volume of ethanol sold at a higher average price.

Now moving on to the next slide. Now Compass, the results for the quarter reflect a strong recovery in the demand for natural gas in our Comgas, which was partially offset by the non-cash effect of the mark-to-market on Compass trading contracts. Specifically at Comgas, the demand for natural gas in the quarter experienced a good recovery in

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industrial and residential segments, with the commercial segment still being negatively affected by the pandemic.

Total volumes were 6% lower in the year and the positive highlight for 2020 was increase of 8% in residential volumes, mainly a result of having new customers and an increase in average consumption. Together with the growth in volume, the efficient management of expenses at Comgas and margin adjustments made in May were the key factors increasing results in the period, leading to a 35% [ph] increase in the adjusted EBITDA to BRL684 million. For the year, annual growth was 6%, and the EBITDA reached BRL2.4 billion.

Comgas CapEx, both for the quarter and for the year, were in line with the expansion plan established in the tariff cycle by the ARSESP.

Lastly, an update on the Compass business plan. Construction permit was granted for the regasification terminal, and we are now in the final stage of negotiating -- of the negotiation of the commercial, operational and construction contracts. As soon as this stage is completed, these contracts will be submitted for Board approval.

Regarding Gaspetro, as already disclosed, we are back in the process with Petrobras, with -- which is currently in the binding phase. We will keep the market informed as we progress in this process.

So I'll now move to the next page, with the results from Moove. We had another quarter with robust results at Moove, anchored by the ongoing resumption of economic growth and consequently our sales volumes. Despite pandemics, we achieved record results in 2020, a 47% growth in the company's EBITDA. The assertiveness of our commercial and supply strategies in this business allowed us to capture the opportunities presented over the year.

Moving to the right-hand side of the slide to show -- to talk about Cosan's corporate expenses. During the quarter, the additional expenses related to the corporate reorganization profit impacted the G&A. Over the year, our discipline in controlling expenditures reduced overall expenses.

Other operating revenues and expenses were positively affected with the reversal of provision, this is a non-cash effect, for legal expenses and contingencies, in addition to the gains by the renewal of the state tax from the PIS/COFINS tax base, both in the quarter and year-over-year.

Now moving on to the next slide, with the consolidated results. Let me now present to you the pro forma consolidated results for Cosan. Even during a challenging year such as 2020, Cosan's EBITDA increased 5% compared with last year on a recurring basis. This reflects robustness and complementary nature of our portfolio of business as well as the high execution capacity of our operations to perform well regardless of the economic scenario. This quarter specifically, the greatest contribution to our results came from the

sugar segment hedged by the increased volume at a more favorable prices, which were previously explained.

Adjusted net income grew 61% in the quarter. In the year, the net income were BRL846 million, a reduction of -- a reduction over the previous year, and this is mainly due to the impact of the pandemic on the results and the non-cash impact from the depreciation of the BRL that affects the non-hedged part of the Cosan's perpetual bond as well as the price action of Rumo shares held by the company.

We are now moving forward to Cosan's financial highlights. Gross consolidated investments of the group had a 3% reduction during the quarter due to the lower levels of Raizen and Compass.

On the cash flow, the main effect in the quarter were in the increased operational cash generation where the sugar and renewable segments were the highlights. On the cash flow from financing, main impact was Raizen and Compass debt amortization. As a result, free cash flow to shareholders was BRL258 million in the quarter. And in the year, the lower operating cash flow is a direct result -- as a direct result of the pandemic, pressured the levels of sugar and ethanol inventory, plus the levels of sugar and ethanol inventories that are being carried by Raizen Energia also pressured the cash flows for the quarter.

Moving on to the next slide. And prior to addressing the guidance for 2021, I would like to give a quick update on the progress and achievements on our ESG journey. 2020 was unquestionably a critical year for the ESG agenda. It is clear to everyone that -- of -- that financial performance is intrinsically tied to social environment, sustainability and governance. As you know, this is why Cosan will talk about EESG, with an additional E for economics as the fourth pillar for -- of sustainability, reinforced by the consistent performance of our portfolio.

Let me share the main achievements we had in this last cycle. Cosan was included in three main indices up between -- for 2021: the ISE, I-S-E; the ICO2; and in the recently released S&P B3 ESG Brazil Index. We made significant progress in the CDP and Dow Jones Sustainability Index questionnaires, in addition to -- in the Bloomberg's Diversity Index.

In governance, the highlight is obviously the corporate reorganization or simplification, if you will, that is in its final stage. To give you an update on this process, we have completed the approval space and are now waiting for the closing of this operation, which is scheduled to take place in the first week of March. This is a major step, paving the way for the group to move forward, including further focus on energy to the long-term sustainable capital allocation and value creation plan.

Now, let's move to the last slide and present our guidance for 2021. After 2020's turbulence, we are back to usual disclosing of our guidance for the coming year. The uncertainty remains regarding the pandemics and the pace of economic recovery, which means we have had a set of probabilities to consider. If on one hand, we see the growing number of COVID-19 cases, on the other the expectation for an acceleration of the vaccination worldwide to control the pandemic might help this economic recovery. We

cautiously believe on a positive trend leading to a gradual economic recovery, which will most likely contribute to EBITDA across all of the group's lines of business.

Please note that we are not offering Cosan's consolidated guidance now since the cost to reorganization process is not fully completed at this time. Shortly, we may present the consolidated projections for the new Cosan.

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Moving along to the numbers. So in the Downstream, Brazil, & Proximity, we project an EBITDA between BRL2.4 billion and BRL2.8 billion. The spread is wider than usual since there are uncertainties around fuel demand growth, especially regarding the possible impacts of the pandemic. The expected volumes for 2021 may be above of the year's GDP growth, depending on the pace. It is probably fair to assume at this point mid to low single-digit volume growth. It is worth highlighting that the demand from the aviation segment should remain greatly affected along 2021, with significantly lower levels of contribution compared to 2019, for example.

Additionally, since the beginning of last year, the results from convenience stores are no longer consolidated in downstream business EBITDA and are now accounted as equity pickup at a 50% stake, which is the share of Raizen in the JV.

CapEx, on the other hand, should remain at similar levels compared to recent years, keeping the focus on capturing good opportunities for expansion and renewal of the network. And also as well here, we have invested in infrastructure when needed.

In Argentina, EBITDA is expected to be between \$130 million and \$160 million, which reflects the uncertainties related to the country's economic recovery. The CapEx includes the usual maintenance investments as well as expenditures related to mandatory product quality adequacy of our refinery.

At Compass, the projected EBITDA is between BRL2.5 billion and BRL2.8 billion, with greater part of these results coming from Comgas, aligned with the regulatory plan. For the CapEx, we expand a disbursement between BRL1.5 billion and BRL1.7 billion in 2021, mainly considering the investment plan at Comgas as well as the construction of the regas terminal.

At Moove, the improved performance and acceleration of international operations should continue to improve EBITDA this year, and we expect to deliver an EBITDA between BRL400 million and BRL480 million.

In the sugar and renewables segment, we estimate the next 2021-2022 harvest to be similar to the current one, closing -- that we closed in March. Crushing should remain between 60 million and 64 million tons, depending on weather during the intercrop. The EBITDA guidance follows the new reporting vision introduced this quarter. And we expect growth both on the sugar and in renewables segment, reflecting a more favorable scenario for prices and efficiency gains. CapEx for the harvest should remain between BRL3 billion and BRL3.3 billion, also incorporating strategic progress in the renewables, safety and environmental investments as well as increase in maintenance CapEx.

Some important disclaimers on the projections for Raizen. So, first, we are disclosing a preliminary guidance since Raizen's budgeting process follows the harvest year and has not been yet concluded. And the numbers do not include any operating or financial information of Biosev since this transaction was just signed on February 8th and still needs to be approved and concluded.

I close our presentation here. Our CEO, Luis Henrique; Paula Kovarsky, Head of IR and ESG; Joao Arthur, our Finance Director; and myself will remain at your disposal for Q&A. Thank you.

Questions And Answers

Operator

(Operator Instructions) Our first question is coming from Ms. Isabella Simonato of Bank of America. Isabella, your mic is unmute.

Q - Isabella Simonato {BIO 16693071 <GO>}

Good morning, Phillipe, Paula, Luis Henrique. Good morning. Do you hear me well?

A - Phillipe Casale {BIO 20025617 <GO>}

Yes. Yes, Isabella, we can hear you well.

Q - Isabella Simonato {BIO 16693071 <GO>}

Thank you. So I have two questions. First of all, on the guidance of CapEx in Argentina, we see a substantial increase in the next year compared to this one. Can you just elaborate a little bit more on the initiative and what this investment should be this year? And on the sugar part of Raizen, is it possible to look at the price of sugar without the trading and the resale, how much -- if there's -- how much both prices compare between one and another, if that's possible? Thank you.

A - Phillipe Casale {BIO 20025617 <GO>}

Sorry, I didn't understand the second question. Can you repeat, please?

Q - Isabella Simonato {BIO 16693071 <GO>}

When you look at ethanol, right, you break down the price for the volume that was traded, right -- or on a consolidated business and for your own volumes, right, is it possible to do the same analysis on the sugar side?

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

Okay. So let's start with the first question. In Argentina, I think you all will remember when we made the acquisition that we have put on the business case investment on the refinery to take the refiner to the level of product quality that will be required in the future as well as to debottleneck certain errors of the cracking in the operation to be able to prepare

the refiner to use light crude from Vaca Muerta as the production start to increase, which will give higher yields, better productivity and better quality of products in the refiner as they implement this change.

So we have been doing minimum investment on this program in the last few years and now we are starting to pick up in 2021 with the part of these investments going forward. We have seen a reduction on the overall. Remember when you start the business there, we announced that this would be a CapEx around BRL380 million over the course of the project. We are now estimating that this will be between BRL300 million and BRL320 million over the life cycle of the project, so optimizations and other gains that have (inaudible). So it's getting the business back to the level.

So this year, we have saved CapEx, because it's a tough year in terms of the lockdown of Argentina. Although as you have seen in the last quarter, results have picked up back and price had been increasing basically every month in Argentina for the last couple of months. We have achieved record market share, increasing our network better and faster than the competition. So we feel that now is the time to continue the investment in order to prepare to the refinancing [ph] higher volumes as we are growing there as well as the coming of the new legislations and the use of the Vaca Muerta crude.

Regarding your second question, it's difficult to -- because you have a -- if you look at -- you have a couple of baskets of prices and operations we do within the sugar. So we have the local market, right, which we service the industrial customers here as well as the local refiners. We have our exports to trading companies. We have our direct exports that we, over the last 18 to 24 months, are increasing our ability to reach the end destination, so the customers in Canada, the customers in certain parts of the globe. And this will be a continued increasing -- I think those of you who have been talking to us over the last few weeks on the business model, I usually talk about the business case also gets us closer to the customers with lack intermediary and, therefore, capturing additional trading margins as we move there.

And the other one is origination that we are doing, still much smaller than what we do in ethanol that's growing. We have grown this year our origination. So I don't think that it's good to break this down, because it's all part of this mix of product because of this business. As we grow on the origination, I think it will make sense to look at it. But for this time being, I'd say bulk of the result is export through tradings and direct to customers, which is new to us, and local markets, which we have a very strong position. And thanks for your question.

Q - Isabella Simonato {BIO 16693071 <GO>}

Yes. Thank you. Can you just confirm the CapEx for Argentina? I think I missed the numbers between what was estimated initially and now the forecast for the cycle?

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

Yes. The original estimation when we did the deal a couple of years ago was around \$380 million investment. We are seeing (multiple speakers) (inaudible) \$320 million, and if

things go very well, can even be a little bit lower.

Q - Isabella Simonato {BIO 16693071 <GO>}

Okay. Perfect. Thank you.

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

Over the cost of the project, right, I'm not talking about 2021, right? Okay. So talking about over the course of the project, which we already did part of these investments, okay, so over 2019 and 2020, we already spent CapEx through this project, although in less intent that we see on the next two years.

Q - Isabella Simonato {BIO 16693071 <GO>}

Sure. Thank you.

Operator

Our next question is coming from Mr. Thiago Duarte of BTG Pactual.

Q - Thiago Duarte {BIO 16541921 <GO>}

Hello. Good morning [ph] (inaudible) huge start opportunity. Good morning. I have two quick questions on the results and then two quick questions on the guidance.

Starting with the results. Just focusing on the Raizen Fuels Brazil. When you look at the number of gas stations that you ended last year, it's actually slightly lower than a year before, right, so it's a steep deceleration in terms of the branding of new gas stations. So just as you talk a little bit about this and the strategy for converting gas stations and, of course, the environment for gas station conversions in the Shell brand, that would be interesting?

The second question in the results would be sort of a rephrasing of Isabella's question with regards to pricing in sugar and the ethanol. It looks like in this quarter, in particular, your trading business, the resale of third-party products benefited immensely and recorded very good margin. So just if you could confirm if that was the case. Even if you don't disclose the number, but just give us a sense how trade volume contributed to Raizen energy margins. That would be nice to hear.

On guidance, the first question would be on also Raizen Fuels Brazil. If you could give us a little bit more color, to the extent that you are allowed to, on the assumptions that drove the EBITDA estimate. As you mentioned, Phillipe, during your initial remarks, that is -- you're working with a broader range there given the level of uncertainties in the business. But just if you could, in terms of volume growth or in terms of margins, what the sort of assumptions you are gathering, because in the middle of the range, ever since that you're working with us [ph] that is actually lower for margins in 2021 vis-a-vis the last two quarters of 2020. So just to clarify that.

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And, finally, on the sugarcane business guidance, you mentioned that you still don't have much clarity on whether the drought that affected last year's year crop would have an effect on cane availability this year. But when we talk to industry participants, everybody is talking about lower sugarcane availability across the board, right. So just to hear a little bit more from you, whether you can escape from that trend and make a better year in terms of cane crushing and why would that be? That would be interesting. Thank you so much.

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

Okay. Phillipe, can you talk first about the assumptions? Then I'll take other questions. The assumptions on the guidance for fuels.

A - Phillipe Casale {BIO 20025617 <GO>}

Yes. So, Thiago, in fuel distribution, as we stated here, we have this broader range of guidance because there's a question mark here about the pace of recovery around 2021. So what we are expecting now is that definitely or most likely, volumes will grow above GDP, right. And we can expect mid to high single digit of volumes growth. I think it's a good assumption. Of course, again, the range is quite large here. But that's probably the best assumption that we have for volumes growth on the fuels.

And your other question about -- yes, about the sugarcane availability, right?

Q - Thiago Duarte {BIO 16541921 <GO>}

Yes.

A - Phillipe Casale {BIO 20025617 <GO>}

Yes. So what we are expecting here is a range between 60 million to 64 million tons. Of course, this is -- this will depend as well on this intercrop season we are experiencing right now from January -- from December to March. So depending on the amount of rain received, we're probably going to see a recovery or at least keeping the same amount of sugarcane crushed. We did our part in terms of investments, right, so now let's hope that the climate will behave better and improve agricultural yield for the next crop.

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

But, Thiago, what -- as you know, over the last couple of years, we have been putting a lot of effort in increasing the productivity of our crops, which we believe we are below our potential. So we will continue to emphasize that. And we believe that this will compensate the drought of last year as well as the good regime of range we are seeing over the last couple of weeks, which is very important for the beginning of the crop. So we believe that, in this case, we have a chance to do better than the market in what we have been investing as well as the program that we have introduced as well over the last couple of years in terms -- which has accelerated on this crop about testing areas to third parties, where we believe they could do better than us. So this has also been very important.

And I think as we start to give results going forwards, especially in the next crop and the following crop, we don't believe, of course -- a lot of things can happen between now and

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the beginning of the crop and during the crop, but we don't believe that what has happened last year will have a major impact on our productivity we gain. In fact, in the other way around, we are expecting a better productivity and more sugarcane than we have in the last crop. And this is the reason of the guidance.

Regarding your first question related to the conversion of sites. So we continue on a good path this year in terms of overall volume. Of course, as an industry, there is some issues on credit and closure of smaller sites, a site that have not been performing, given the reduction of volume. So we have -- although we have also signed our usual numbers of new site, we have seen a reduction of sites on the other end. So net -- I don't see what -- I can't reconcile the number that you get to have less sites than the year before. Perhaps later, we can talk offline on that, but we have grown less than -- less sites than we have been growing over the last years in terms of net, but more on the closing site than on the new sites. So the quality of the pipeline is quite strong.

You guys have seen yesterday the agreement with IMC, and it's just one example of the several things that are happening on a day-to-day on the Street. Of course, the pandemic also doesn't help during the part of the year we couldn't see a lot of dealers face-to-face and have negotiations and people also were looking about their options for the future. But I can say to you, over the last four to five months, things are much better, back to normal and, well, and the team are very enthusiastic about the pipeline going forward.

Regarding your question about trading, yes, our trading business, I'm very happy to say that's performing quite well. I think, we now have -- over the years, we are improving our ability to price it and finding new markets. So if you look at our program, majority of ethanol continue to be exported, continue to be high-quality ethanol, direct-to-industrial, cosmetics and other types of customers that are not fuels customers. So I think you'll continue to see, on our own production, better price compared to majority of the market and on the trading using all the opportunities of the volatility, capacity derivatives and looking at the market in different ways that we have been in growing our books and delivering good results based on ethanol and sugar.

Q - Thiago Duarte {BIO 16541921 <GO>}

Thank you, Luis and Phillipe. Very helpful.

Operator

(Operator Instructions) Our next question is coming from Mr. Andre Hachem of Banco Itau.

Q - Andre Hachem {BIO 20209966 <GO>}

Good evening. Thank you [ph] for questions. I'd like to ask two questions. The first is basically on Compass. Could you guys provide a little bit more of the details on how -- I wouldn't say you have big ones [ph] going, but the other projects are growing. So specifically here, the regas terminal, has that been developing? And has construction structure started? Or how is the licensing project. So if you could comment on that part, that would be great.

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My second question is with regards to revenue. You just did the Biosev acquisition so your footprint here in Sao Paulo has been growing very, very compounding [ph]. When you look into other regions, so, for example, with corn ethanol now being within the Center West region, is this something you could consider potentially attractive? Or no, is it not something you're looking into right now?

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

Thanks for that. I will ask for help here, if someone has listened to the second question. It was very difficult to understand. So let me answer the first one, and then will I ask you to please rephrase and to have -- I don't know if there's a chat on the -- I don't know if there's a chat that you can send the question. But -- so we have all the license now for the regasification terminals in Sao Paulo. So ANP has issued the authorization for construction. So we are now mobilizing to start. And so we start in time over the course of the next months. It's a good undertaking. It's a project that -- there's no big challenge from engineer, has been constructed several of these in other places. But it is new in Brazil. We have done a lot of -- as you know, a lot of studies, a lot of good discussions. So we are ready to go. And this product will be market to free customers, other distribution companies, Comgas. So it will be open for the market to take products that we believe will be competitive and we established a new paradigm in terms of price compared to the local availability of gas coming from pre-salt.

A - Phillippe Casale {BIO 20025617 <GO>}

Andre, if you could please repeat your second question? We weren't able to understand you.

Q - Andre Hachem {BIO 20209966 <GO>}

Is this better now? Can you hear me?

A - Phillippe Casale {BIO 20025617 <GO>}

Yes. Yes.

Q - Andre Hachem {BIO 20209966 <GO>}

Good. My second question was is in regards to diversification on ethanol. Post the Biosev acquisition, you guys are a lot bigger now in Sao Paulo. You're a lot more consolidated. Would you consider corn ethanol in the Center West region? Or is this something that is not attractive? And how do you see these projects?

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

Do you understand, Phillippe? I couldn't -- sorry, Andre.

A - Phillippe Casale {BIO 20025617 <GO>}

Yes. Yes. The question is about the corn ethanol and investments in importing ethanol outside [ph] here.

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Q - Andre Hachem {BIO 20209966 <GO>}

(multiple speakers)

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

Yeah. I can take --

A - Phillipe Casale {BIO 20025617 <GO>}

Yes. I'll take and then you can complement, if needed. So Andre, what we are -- what we have been saying here is that we are focusing all of our efforts on increasing productivity of our sugarcane mills or sugarcane production here within Raizen. And now with this transaction that we just announced, after the closing of that transaction, we're going to have a lot of homework there to integrate Biosev asset and, of course, capture all the benefits and all the upside we are expecting within this transaction. So the focus is all full in sugarcane ethanol, right, trading, resale of ethanol. So this is where we're going to put our focus on. There is no plan as of now in discussing corn ethanol mills.

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

Andre, I'd just complement. I think any thoughts on the specific on Biosev, I think the -- one of the great findings of the due diligence, the quality of the fuel, because it's good, so productivity in certain areas is even higher than ours. Of course, we have different lands, different climate regimes, but they're quite good as well as on industrial. So I think it -- as Phillipe said, there's opportunity going forward. Of course, the team will, at the first phase, focus a lot on the integration in trading, integration on back office, integration on the growth side. As you know, we are very passionate about safety. So we have a big program about improving the safety. Their track record in safety is not as good as ours. But on the other hand, they have good practice on the industrial side. There's things for us to learn and incorporate on our mills.

So we are very excited about bringing the manpower and the talents from Biosev, because I think they have done a good work on the areas, especially on the field and on the industrial side, and integrating, of course, on our trading machine that's quite powerful, as we talked about given the results in terms of price, capacity to achieve markets outside Brazil, et cetera. So I think it's a very good journey that we are just starting. Of course, we are awaiting for the CADE and the other authorities' approval to start the program, but we have done a good homework in terms of establishing the integration teams and how we're going to go about it, because it's a big entertainment [ph] with a lot of synergies, and we are quite keen to get them quick and powerful and acceleration of that.

There are also opportunities in the future for cogeneration. They have a higher -- sorry, a lower cogeneration ratio than we have on our mills. And I don't know if you guys noticed, but on the guidance for the year, there's a little bit higher CapEx this year, because we are starting to connect a new cogen on any [ph] volume, which we won at auction a couple of months ago. So we, again, continue to increase our generation, cogeneration in renewables business as we go forward, because we think this is the big part of the

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business that will grow in just higher profitability as the world demand cleaner fuels, carbon credits, et cetera.

Q - Andre Hachem {BIO 20209966 <GO>}

Got it. Very clear. Thank you.

Operator

Our next question is coming from Mr. Regis Cardoso of Credit Suisse.

Q - Regis Cardoso {BIO 20098524 <GO>}

Good morning, Luis; good morning, Phillipe. Thanks for taking the question. I have maybe two questions and then just very quick follow-ups. The questions are about the reorganizations on Raizen. My question for you is, do you -- why do you see you [ph] in the future giving [ph] the guidance for renewables and sugar? Do you believe in giving sort of conflicts to your traditional KPIs with management teams instead of maximizing the output in profit mix between the two? That's one of the questions that's been unclear on the reorganization that becomes extremely appraised [ph]. Is there any impact of the origin of the businesses compared to what was previously the results of Combustiveis, particularly from the trading perspective that contributes -- lead to a higher result or a lower result?

And then just a few quick follow-ups, if I may. If you could discuss the effect in Compass, both the legal positive result [ph] in (inaudible) loss in trading Compass and Comgas? Also, if you could explain why the trading ethanol price is higher? That would also be helpful. And I also wanted to know if the inventories are high in the year, if all of that is onshore methanol or anything that is traded in there [ph]?

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

Okay. That's right. It's very tough to hear, I don't know what's happening to the line today, but I will try to address. In terms of Compass, basically, what you have seen there is the position of mark-to-market. It's not a cash result. So it's a position forward in the years to come, including 2021. We made a cash profit on our trading and commercialization operation in Compass. Also, of course, we are always operating within our risk matrix and our risk mandate that the team has. Of course, it's a very strange market in 2020. Therefore, some of the positions in the future that we still believe that are good positions have stopped on an MTM basis. So this is basically what had happened, and the results reflect this in the market because, of course, it will be transparent on the cash result and the MTM, added to the Comgas result.

Regarding your first question on why we have segmented different Raizen, because the way we believe that is the right way to look at this business for the future. We have, over the last few years, as you know, invest a lot of time, talent and money on creating new business under Energia with second-generation biogas, cogeneration, electricity trading, electricity commercialization, clean energy sales, carbon credits, et cetera. So we believe this is the path for growth. We believe that this is where a lot of the time for the

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management, the team will be invested as well as the new resources to this business so which, of course, increases visibility to market or how much money is generated on this business, how much CapEx this business will attract and how much growth over the next years we will deliver [ph].

And this, of course, will be linked to the KPIs and internal incentives to the management of Raizen, both for short term and long term. So what you see over the years is a much bigger growth of this line than the other lines, that this is the line that we believe the market's ready to (inaudible). We have been preparing for it for over the last 10 years basically and now we'll be able to capture the premium in terms of price for certain products like biogas and like second-g ethanol, as well as to increase our exposure to renewable energy and the sales of electricity. So this will capture that, and we want to make sure that this is transparent to the market as well as the more traditional business and a business that is more volatile to the commodity cycle, which is the sugar business. So we think it is the right way to look at this market and we think the right way to incentivize [ph] the management. It's also the right way to look at -- the big two differences we have within one of the companies we manage.

I think also you're talking about trading. And, of course, the -- a lot of our trading, as I mentioned on the question before, is done offshore. So we have a big position in markets in Asia. We also trade corn ethanol from the US to other destinations in the globe. We have tankage, we have positions, we have shores, et cetera, that we have constructed over the last few years. We have a lot of industrial volume with customers both on the beverage, cosmetic and in industrial in general. So this had commanded higher price. So this is what -- when you look at our exposure to the local Brazilian fuels market and I think you guys, of course, are thinking about this. If there is any risk of the prices which Petrobras, for any reason, we have a different pricing policy. I think our risk is much, much, much lower than any of our competitors, because of the position we have built outside.

Only ethanol that we sell for fuels from our productions are the ones that we still have on areas that have any local or state incentive from a tax that have been given in these plants for Costar [ph], which basically go live in Mardi Gras [ph]. All the rest, we have been upgrading and developing this more premium portfolio. That's the way to make it. So the price are good because of this combination of quality of the portfolio and sales offshore.

And I think I missed one of your questions that I couldn't hear.

Q - Regis Cardoso {BIO 20098524 <GO>}

Basically if the inventories of sugar and ethanol, because -- I'm asking this because inventories are very high at the end of fourth quarter. So I wanted to know if those inventories are all on sugar and on ethanol, therefore with high margins or if that number include, in any way, lower margins, trading volumes?

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

I'm not sure [ph] if I got your question, you're talking about the inventories, right?

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Q - Regis Cardoso {BIO 20098524 <GO>}

Yes. (inaudible) (technical difficulty) I wanted to know if the inventories are just on sugar and on ethanol or if there is any trading volume just because of the one in the inventory was very high, I wanted to understand if next quarter will be the strongest statement [ph].

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

Yes. So this is basically based on our commercialization strategy. And as you can see in the results, we accelerated the sales of ethanol in this fourth quarter, but we still have some volumes of inventories to be sold -- or to be sold now in the first quarter of the 2021, which is the last quarter of the crop year, so usually, when we see -- when we set our commercialization strategy. And this year, as we mentioned throughout the year, it's more balanced between the two last quarters of the year. A bulk of that inventory is on products, so we will capture the value of that as well, right. So our business for the ethanol and the sugar is the same case, right. We have the shipment of the sugar set through the crop concentration on the last quarter of the crop year, which is the first quarter of the calendar year 2021.

Operator

Our next question is coming from Mr. Luiz Carvalho of UBS.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Hi, Luis, Paula, Phillipe, good to see [ph] and hope you well. Listen, I have basically two questions here. The first one, I mean, I understand this reporting change that you just presented. But also you made two recent deals on the, I would say, on the fuel distribution segment, which are basically the IMC and the OXXO, right, which I think that that shows how Raizen is understanding the changes of the business looking forward, right, the changes in the fuel distribution business. So just would like to understand if you can give a bit more color on these moves? And we're running some calculation, we see Sao Paulo can (inaudible) for, I don't know, something close to BRL500 million EBITDA looking forward when this business will be more mature. So just would like to understand if this number makes sense.

And the second question, it's about the refineries, right. I mean Petrobras recently announced that one of your competitors is moving forward, where REFAP and REPAR is basically on hold for now. And, yesterday, there were some news about the timeline for the other names, right. So with all the recent noises in terms of the pricing policy and so on and so forth, I just would like to understand if this would change your view in terms of the asset attractiveness or -- where Raizen stands right now in terms of these potential acquisitions? Thank you.

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

Okay. Thanks, Luiz. Let me start with the second. I think you guys have heard me loud and clear over the last calls we had that these [ph] are the business we only would pursue a specific asset and at a specific price, right? So we always treat this business as separate from the distribution. They have to have their own merits, their own results and their own

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return. We think it's a very strong movement to the market. We like the market being open. We like to have other players in the market. And since the beginning, I think we have said to you guys that we would look at this as separate business, because the distribution business needs to find their own supply with the new owners, continue to have a strong position with Petrobras and also have a strong position on imports when it makes sense.

So we are in this business for the long run. We have strong relationships and long-term contracts with our dealers, B2B customers and aviation customers, so having acquisition of supply that's competitive, secure and is able to supply our commitment to SKU. So we will engage with the owners of the RLAM, REFAP and all the others to discuss terms. And, in fact, we are already discussing from the ones that are more down the line in terms of closing their operations. And we believe that this market will change a lot because now players, including Petrobras, will be able to do different arrangements, different contracts, different clause, different flexibilities, different prices, different terms, which what's happening everywhere in the world. So it will be a lot about ability to the company, in our case, of supply, logistics, investments and -- so, as you know, we have been doing over the last few years. This is why we created a strong position of investments in the North and Northeast. This is why we didn't invest in positions in the Southwest and the South in terms of import position, because we think this market will be much hovered by internal production than the ones there.

So continue the same drill. We -- so we are responsible to these investments. They are long-term investments with a quite significant ticket. So, therefore, we will only pursue and we hopefully will be selected if they are in the conditions that we believe are the ones we can really make a good investment and allocate capital responsibly as we have been doing over the last couple of years. So we're not going to do a refinery just to have a refinery. We will do it if it's the right refinery, at the right price, and we are very happy that the progress continues -- the divestment program continues. It's good for the market.

Regarding the changes in terms of reporting, you are completely right, Luiz, you're spot on. We did it because it's the way we are looking at this business as the market evolves, right. So I talked a lot about the sugar and -- the old sugar and ethanol business, now the new renewables and sugar business. And it's the same on the traditional fuels business, right. So, in the future, we probably will be reporting a refinery business, if we have a refinery in Brazil, a fuels and Proximity business, because this is the way the market needs to look. They are separate business, that they have separate drivers, separate competitors, capital requirements and separate return and separate growth opportunities.

We are very happy with our joint venture. Of course, it's still early stages, it's just one year old -- in November last year, just one year old. But I can say to you that our partners from Femsu Comercio knows the business, know how to operate stores outside retail stations, know to operate own stores with our own people. We have already opened several stores in Campinas and more to come. We should finish the crop year close to 30 stores around Campinas, which is a quite advanced operation, and we will continue to grow next year. We'll be, I think, for the year 2020, and correct me if I'm wrong, (inaudible) but we have been -- basically was very strong in terms of growth of new stores, both on Select and, of course, OXXO was very new.

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This business will be significant, in our view, but remember that it's a ramp-up business, right. So it's a business that we have by design, brought our partner with a primary investment. So we have the cash for the growth, because we need to put CapEx for the growth of our own stores and also the transformation of our delivery centers and all the other infrastructure required. So we have give up, if you will, BRL100 million a bit the short term for the long-term, incredible growth that this business is.

And I think -- I don't know which time horizon you talk about your number. I cannot give you so far forecast, but I think it's timid, if you're talking about the long term. I think the number, it will be much higher if we are successful on our expansion and our proposition. What I can say to you, the initial stores are performing quite well despite the challenge of the time. The Campinas have had a lockdown. We had gone to the red zone and have been forbidden night sales of alcohol. It's all back to normal now. But I can say to you, customers are coming to the door. Customers are liking the offer. I think we are changing the way consumers are looking, because it's a very unique offer, right. So there's no chain in Brazil that has the type of offer they have. So the ones from (inaudible) or from the (inaudible) they are bigger format, more complex formats. Of course, they can work and they will work. But we've been very, very, very focused on being quick, being fast, being easy and being competitive for the customers on every corner regarding Proximity.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Okay. Thank you. And congrats to [ph] all of you.

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

Thank you.

Operator

Our next question is coming from Mr. Rodrigo Almeida of Santander.

Q - Rodrigo Almeida {BIO 20698362 <GO>}

Good morning, Luis, Paula, Phillipe and Joao. I have two questions here from my side. It's mostly focused of fuel distribution. But the first is related to an overview. If you could provide us some color on the pace in which you have been able to pass-through these additional CBU expenses over the past, say, three to four months. I think it could be helpful for us to understand the impact there. And also on the renewables side, the new reporting segment, have you been able to make any significantly believe [ph] that sales of CBUs? Or could you expect that to accelerate in the coming quarters? What would be like a threshold for you to sell these CBUs, if there is any?

And the second question is about working capital in fuels because to get it [ph] more specifically, we saw significant positive valuation suppliers over the past year. If you could give us some color on this front, maybe some change to the sourcing strategy, maybe more imports, maybe that could explain the higher data of payables outstanding there. But I just wanted to get some color on the working capital for fuels? Thank you.

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

Joao, can you help me -- my line is very bad.

A - Joao Arthur Souza {BIO 19357380 <GO>}

Yes. Let me take the third one about the working capital on fuels.

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

Okay.

A - Joao Arthur Souza {BIO 19357380 <GO>}

Regarding the fuels -- our supply strategy, Rodrigo. So we have been focusing a lot in the previous years, and you could see in our financial statements here, on improving our working capital. So what we have done in some -- at the moment is operations -- of -- are confirming, which is anticipating at some point in time our payables with -- or our strategy with Petrobras, right, with our main suppliers. So there are some working capital efficiencies that we have been capturing within our operations here.

The first question about result of the CBUs, right, the trading of the CBUs. We have been following the market here, and there is a team dedicated on this trading within B3, right. So this has been -- we have been trading those certificates following the market trends here and, of course, try to capture the best momentum to do so, right. And I think the first one -- your first question was -- I think those are the two, right? Do you have another question?

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

No. He asked us about the CBU adherence of the market in selling for cleaner fuels. But another point also to make. Remember also that on this quarter, the prices had been going up, right. So it also has impact on our payables as price have gone down after the big reduction on the second quarter of the year.

In terms of the CBUs, yes, I think the first year was a challenging year, because of the pandemic, the target, the review of the target, the 7 [ph] at the year end, we have -- the numbers have been showing that the target has been mapped, the issuing of new CBUs and the purchase of CBUs. Very few, I would say, distributors not complied with the market. The market took some time to understand the costs and incorporate on their pricing strategy or on the -- or the market structure. But I would say that's now pretty much normalized, right. That's part of the equation, like it happened before when taxes changes, PIS/COFINS is higher, (inaudible) is higher. So this brings us -- our business is a business of passing through, right. So we pass-through molecules, we pass-through taxes and, of course, we add the services of logistics, marketing, commercialization, products, et cetera.

So we -- these are the things that when they come at the end of the day, they will end up in the market and be done what they have done, which is incentivize, of course, the increase of renewables in the Brazilian matrix.

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With the increase of crude prices, of course, what's going to happen? Ethanol becomes more compacted by just the nature of the difference between gasoline and ethanol, right. So this program, if you think conceptually, they have been designed for -- CBUs have a very high price when fuels price are low, cost in fuel price are low and you have a lower price when fossil fuels are high, because naturally ethanol prices will be higher when fossil fuels price are high. And, therefore, the need for the CBU to give you the additional incentive is not there and on the contrary. So depending where the rhythm of increases of gasoline price in Brazil by Petrobras and the international market by the international parity, this will, of course, make the price of CBU value around that.

So in terms of our trading strategy, as I said to you before, we export a lot. So not necessarily it generates the CBU here, but it's part of our pricing. So when we agree with a customer pricing, of course, there is the reference of the Brazilian price sometimes. Sometimes it's just a reference of international prices. But when we agree a reference on the Brazilian price, it includes the CBU cost within that. So CBU benefit Raizen Energia, of course, as a way that values more our ethanol.

A - Paula Kovarsky {BIO 15363001 <GO>}

And if I may add one little comment here on the CBU is that, I think it finally creates a decent level of predictability for ethanol pricing in Brazil, which is great. And, by the way, by doing that, it makes Brazil less of a production swinger. So I think, at the end of the day, it's constructive to sugar prices as well, because if there's more stability and more predictability in ethanol pricing in Brazil and producers will be more willing to produce and sell ethanol, that means Brazil will have less of a spare capacity to balance the global supply and demand, which, again, at the end of the day, I think it's constructive to sugar prices as well globally.

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

Yes. Very good point, Paula.

Q - Rodrigo Almeida {BIO 20698362 <GO>}

Yes. That's very clear. Thank you. Again, very clear answers.

Operator

This concludes the question-and-answer section. At this time, I would like to turn the call back to Mr. Casale for any closing remarks.

A - Phillipe Casale {BIO 20025617 <GO>}

So, first of all, I apologize about the quality of the sound here. I think some people have some trouble, but we are more than available here at the IR team to take your questions, so give us a call. And, second, another remark here, we're going to hold our Cosan Day, our Investor Day, on March 16th. We shortly will send the Save The Date. The event will be fully online. So shortly, you will receive more details about our Cosan Day, again on March 16th.

So, thank you all and see you in the next opportunity.

Operator

Thank you. This does conclude today's presentation. You may disconnect your lines at this time, and you have a nice day.

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