

Q3 2009 Earnings Call

Company Participants

- Marcos Lutz, Chief Commercial and Logistics Officer
- Paulo Diniz, CFO and IRO

Other Participants

- Alessandro Blanc, Analyst
- Debbie Bobovnikova, Analyst
- Eduardo Vieira, Analyst
- Marcus Sequeira, Analyst
- Paula Kavorsky, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to the Cosan Limited and Cosan SA's Third Quarter of 2009 Results Conference Call. Today with us, we have Paulo Diniz, CFO and Investor Relations Officer, Marcos Lutz, Chief Commercial and Logistics Officer and Felipe Jansen, Investor Relations Manager.

We would like to inform you that this event is recorded and all participants will be in a listen-only mode during the Company's presentation. After Cosan Limited and Cosan SA's remarks, there will be a question-and-answer session for industry analysts. At that time, further instructions will be given. (Operator Instructions)

Before proceeding, let me mention that forward-looking statements will be made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on beliefs and assumptions of Cosan Limited and Cosan SA's management and on information currently available to the Company. They involve risks and 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 Limited and Cosan SA's and could results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to CFO and Investor Relations Officer Paulo Diniz. Mr. Diniz, you may begin your conference.

Paulo Diniz

Good morning, everyone. Sorry for the delay, but we are facing some electronic problems here at Cosan, but this Third Quarter was exceptionally important for Cosan, since it was the First Quarter to reflect, albeit modestly, as yet, the group's broader, entirely vertically integrated business profile.

Despite the overall economic crisis, our commercial stockpiling approach and the addition of less than two months of analyzed results designated by CCL, Cosan Combustiveis e Lubrificantes, the formally Essobras, we posted record net revenues of almost BRL2.6 billion.

In segment terms, fuel led the field, contributing revenue of BRL1.5 billion and volume of 864 million liters. Sugar fell back to second place, with 808,000 tons and sales of BRL540 million, followed by ethanol, with 438 million liters and BRL364 million, and lubricants, with 15 million liters and BRL88 million.

Other products and services, including cogeneration of electricity, generated BRL72 million. Thanks to these sales volumes, Cosan closed the quarter with finished product inventories of almost BRL1.2 billion, comprising 967,000 tons of sugar, 790 million liters of ethanol and 116 million liters of fuel and 27 million liters of lubricants.

It goes without saying that the appreciation of the dollar had a positive impact on exports, especially sugar prices. Sugar recorded the highest gross margin, 38%, but was also naturally responsible for the greater part of selling expenses in terms of highway freight costs (through stamps) for terminal and port loading expenses, while ethanol sales, which largely take place in the plants themselves and incur no such expenses.

The reduction in fuel and lubricant margins was partially due to the reduced demand, especially for diesel and higher lubricant costs caused by the (broad) acquisition. Clearly, the initial expenses from the takeover of Essobras also had a negative impact, compounded by revenue in January, traditionally a weak consumption month. Even so, consumers fueled ethanol prices, thanks to the reduction in producers' prices, were sufficient to generate the widest margins in fuel distribution.

Nevertheless, Cosan recorded EBITDA of BRL234 million in the quarter, not only representing a healthy turnaround in relation to the near-breakeven figure in the Third Quarter of 2008, but higher than last year's entire annual EBITDA. If we include the results of hedging instruments, EBITDA with H totaled BRL359 million, Cosan's highest-ever quarterly figured and a massive 280% more than the same period of last year. Year to date, EBITDA with H came to close BRL608 million, or at 53% more than the full year of 2008.

These interesting operating results, together with new operating gains from the sale of 18,200 hectares of land was sufficient to absorb financial expenses, goodwill amortization and the impact of exchange variation on the dollar-denominated debt. As a result, Cosan

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closed the Third Quarter with net income of BRL5.2 million, despite the actual unfavorable scenario.

The '08/'09 harvest came to an end in December and Cosan also established a new crushing record, having processed 44.2 million tons of cane, producing 1.7 million liters of ethanol and 3.2 million tons of sugar. The Company invested BRL427 million in fixed assets in the Third Quarter, BRL166 million in Jatai greenfield in Goias, which will begin production in this upcoming harvest. The electricity cogeneration process absorbed investments of BRL103 million in the quarter.

Cosan closed this quarter with a net debt of BRL3.5 billion, inflated by contracting of BRL1.1 billion in commercial paper to finance the acquisition of CCL, former Essobras, and the consolidation of \$175 million in floating rate notes inherited from Essobras. It is also worth noting that the current debt corresponds to 4.2 times EBITDA in the last 12 months, including Essobras' pro forma results in the last 12 months.

However, if we further refine this figure by considering debt due within the next five years, remembering that most of Cosan's debt is long term, including more than BRL1 billion in perpetual bonds, we arrive at a debt to EBITDA ratio of only 1.3 times, which we believe to be an exceptionally good indicator in today's environment of extremely tight liquidity.

Finally, I am delighted to inform you that we have signed a binding MOU with Rezende Barbosa, the controlling shareholder of Nova America, one of the biggest sugar and ethanol groups in Brazil. Our intention is to implement a corporate restructuring in order to combine Nova America's sugar and ethanol production, electricity generation, commercial and logistic operations with those of Cosan by merging Nova America into Cosan. Nova America has planned for annual crushing capacity of 10.6 million tons of sugarcane this crop. That has already started.

It's also geographically compatible with Cosan, so that their association will generate important operational synergies, not least to the formation of a cluster in the southeast of Sao Paulo state, together with our (Ipau Osu) facility, as well as further consolidating Cosan's leadership in the sugar and ethanol arena.

Following the restructuring, it is expected Rezende Barbosa will retain around 11% of season three shares, becoming one of the main shareholders of Cosan SA. Of course, this shall be validated by an appraisal report. Nova America has financial debt of BRL1.21 billion, including loans from BNDES.

We are in the final stage of renegotiation of the conditions of the greatest portions of fresh financing, to extend the maturity to five years, to pre-export financing lines, in exchange for the substitution of guarantees provided by Rezende Barbosa and its shareholders, which is a condition to the merger.

Also in here, in case we run a pro forma consolidated debt during the next five years against the 12-month EBITDA with Nova America, we would come to a ratio of 2.1 times, also extremely fine in this environment that we are living. Well, those were the main

highlights for the Third Quarter and we now move to the Q&A session in the certainty that all our preparations will ensure that Cosan is uniquely positioned to emerge from this global crisis stronger than ever.

Questions And Answers

Operator

Thank you. (Operator Instructions)

Your first question comes from the line of Debbie Bobovnikova, with JPMorgan.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Good morning. You had a busy week. Congratulations. The first question is just you'd mentioned the net debt to EBITDA numbers. If I understood correctly, you're saying that incorporating Nova America, you're going to have 2.1 times net debt to EBITDA, that's taking out the perpetual bonds. Is that correct?

A - Paulo Diniz

No, Debbie. Basically, what we said that is 2.1 times, considering our pro forma debt and our pro forma EBITDA of 12 months, considering that, that is maturing in the coming five years. Therefore, not only our perps, but also our 10-year bonds are excluded.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

But cash generation for Nova America is included in there. So what --?

A - Paulo Diniz

It is included, correct.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Okay. What is your projection --?

A - Paulo Diniz

And also assuming that 100% of the Nova America debt is maturing within the five years considered what again may not be the case, so it's a kind of worst-case scenario in our view.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

I see. And what type of EBITDA number are you looking for from Nova America?

A - Paulo Diniz

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We are, again, being -- I would say -- I don't want to call it conservative, but realistic. We are considering BRL200 million.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

And if we can talk a little bit about the Esso transaction, you showed the Esso numbers for the first time. I would just like to understand better the synergies of the deal for you. We know that in Brazil, there's a large difference between the ethanol price that producers get and the ethanol price at the pump, and a large amount of that is taxes, but there's also a distributor margin and transportation costs.

I'm just trying to understand, can you walk us through that difference and how much of that is transportation costs that you will hope to save with this transaction? How much of that is distributor margin, so we can get a rough idea. And I think that that would also probably help us understand what kind of flexibility there is in the market now, given increasing talk of a potential cut to gasoline prices.

A - Marcos Lutz {BIO 6779636 <GO>}

Debbie, this is Marcos Lutz speaking. Let me try to walk you through that. Obviously, the major portion of the -- let's say, (BRL0.90) that producers get through the (BRL1.29) consumers paid, a major of that is three types of taxes. The major one is the ICMS, which is for value-added tax, the prepay on fuels, as well.

The rest of this, and I would say there is a margin of roughly -- I would say out of those (BRL0.40), (BRL0.30) is logistics plus retailer margins, plus distributors' margins. Due to the inefficiency on the retailer market -- I mean, the fuel stations in Brazil have an average sales of a third of the ones in the US, and therefore the cost of operating those stations is higher and there is a critical path there to match up.

So this is not under, let's say, the former Essobras and now Cosan fuels and lubricants business. It is of partners. We do an effort, and we have clearly an effort already done by ExxonMobil of having larger retailers and trying to roll those operations. And this is why this network has a little better margin than the competition here in Brazil. They have the highest average per station when compared to peers.

But then, you have the scale possibilities. Then, we are basically talking about (BRL0.10) on this whole chain where we can work on it and we have currently 11 initiatives to collect synergies on the logistics/commercial opportunities that appear on this association. This is not counting -- or not also considering the synergies that are not small on back office, okay. There is a large synergy on the back office side as well, on accounting and all those - I mean, all back office, supplies and everything.

But on the operation, we have synergies running from backhauling, with all of the fleet running for Cosan and for Essobras with products, (each other) because the flow is one against the other. And from hauling with cabotage bringing ethanol to the northeastern part of Brazil with efficient networks, differently than trucking directly from the southeast,

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but all this together amounting in a very decent portion of the current EBITDA. So there's a very large growth possible on EBITDA in the next year.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

So basically, just to make sure I understood correctly, the difference, the (BRL0.40) between consumer priced and producer priced, (BRL0.30) of that is outside your control, and that's basically logistics cost and retailer margin and then (BRL0.10) is what you can expect to bring into your margins? Is that the right way to think about it?

A - Marcos Lutz {BIO 6779636 <GO>}

I would say we are talking about really raw numbers here, but (BRL0.10) would be -- depending on the state in the Brazil, (BRL0.10) roughly will be taxes, out of control, and then you have out of those remaining (BRL0.30), I would say that roughly (BRL0.20) is out of my control on let's say the fuel retailing, but this part is not on my command, but obviously I have influence. Then, the remaining (BRL0.10) is where we are actively pursuing results now for 2009 to be completed those projects.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Does that (BRL0.10) include the logistics of transporting from the mill to the distribution center, from there to the pump?

A - Marcos Lutz {BIO 6779636 <GO>}

Yes.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Okay. Because that's part of the -- correct me if I'm wrong, but that's part of the synergies you were hoping to get out of it, is to save on one of those links.

A - Marcos Lutz {BIO 6779636 <GO>}

Yes, obviously, I'm not saying that we will make (BRL0.10) of synergies. Unfortunately, that's not the case. But this is the scope that I'm working on.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

That's great. Then, if you could address briefly the second part of the question, just what happens under a scenario where gasoline prices in Brazil at the pump fall 30%? How much of that decline will feed through into the final ethanol prices for producers? Or is there some kind of fat still in between that can be squeezed should gasoline prices fall?

A - Marcos Lutz {BIO 6779636 <GO>}

I'd like to address this point. One thing that's important, especially for international investors to understand, is that Petrobras has a very straight line on price, so we cross this large period of oil above \$100 a barrel without having a dime of change here in Brazil. And during this process, what happened was a reduction at some point on taxes, so if we

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have a reduction on prices of Petrobras, this does not mean that this tax reduction that was done in the past cannot be replenished now and then actually the pumps have for a smaller change than the Petrobras change.

So it's not a perfect correlation between prices at Petrobras and prices at the pump, because there's a very large tax, especially on gasoline and diesel, related to those fuels. But let's assume the scenario you mentioned, of reduction of 30% on gasoline, which is in my view even more than a distortion between internal and external markets. Brazil has basically -- has a big consumer state, Sao Paulo, for ethanol. So like -- half of the hybrid ethanol consumed in Brazil is consumed in Sao Paulo.

In Sao Paulo, currently, the price of ethanol is roughly half the price of gasoline, and therefore we have let's say almost a 50% advantage for the consumer to be using ethanol. Correlation between consumption of gas plus ethanol in car fleet is very steady, so let's assume that in the Sao Paulo state, we have the possibility of a big swing on gasoline without change in demand.

At the end, demand will drive the price of ethanol, because at let's say the states that are far away or have larger tax regimes for ethanol, those are in places that will be let's say the switch in demand. So when you have that type of scenario, you will have a reduction of consumption in the ethanol in roughly let's say 20% of the consuming states. This reduction will also drive an increase in consumption on anhydrous ethanol, because 25% of the gasoline sold in Brazil is also ethanol, so in one side you reduce the hydrous ethanol and in the other side you increase the anhydrous ethanol by the increase in blending on the gasoline sold.

So there is a volume there to be lost if Petrobras reduces prices by 20%, 30% without any change in the government. We are not working with this scenario for the next months. We believe if prices for oil and exchange rates remain at where they are for the next year, something will happen, yes, but there is on the other hand a big, big change in the economics of the sugar, and, as you know, the cane in Brazil is used both for sugar and ethanol.

And that is a very large swing projected from ethanol to sugar, because the mix was 100% ethanol, or maximum ethanol last year, and now it will be maximum sugar, because sugar is staying 20% or more than ethanol, so every capacity that can be used for sugar will be used for sugar. So there is a swing there as well, so it's a big and tough job to project what will happen with the price of ethanol next crop. It's a big challenge.

The good news for Cosan is that Cosan, compared to the rest of the market, or average of markets, we are a lot more sugar oriented if we want. So we can have a big portion of our sugarcane crushed for sugar, and the margins for that market are pretty solid now and the fundamentals are very good, as well.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Appreciate that detailed answer, thank you. If I can just ask one last question, in terms of the Esso transaction, do you have an estimate of the total synergies you're hoping to get

out of the incorporation?

A - Paulo Diniz

We do have internal studies. Of course, we are not going to venture ourselves in something like that without having that, although we are not prepared at this point in time to disclose to the market. But, again, just to highlight some important points, if we take the case from a geographic point of view, Nova America is located in the southeast part of Sao Paulo state, where we have just one single view, the (possible) view. Therefore, now we are going to be able to bid up a cluster over there.

Also, what is important is that if you take a look at the sugar recovery index in terms of industrial efficiency measured by the (lead) staff, divided by ART, so this in terms of Nova America mills, they are around 87%, 88%, so we also believe that we can bring to our high standards that is around 90%. So if you translate the industrial efficiency in terms of more sugar to be extracted and therefore produced, this is also extremely important.

Also, when we take a look at immediate synergies, if we just consider the small increment that we are going to be facing in terms of G&A and even the fixed portion of the selling expenses, but if we divide it by 10.6 million tons of crushing capacity. Therefore, if we divide by this new increment in terms of volume, also synergies are extremely important, especially considering the whole concept of shared service transfer, also including Essobras. Therefore, again, just to pinpoint some of these metrics, but you can quickly calculate and come up with extremely important value to be unlocked in our group.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Great. Thank you. I'll pass it over to others.

Operator

(Operator Instructions)

Your next question comes from the line of (Isabel Sandonato) with Merrill Lynch.

Q - Alessandro Blanc

Yes, hi. Good afternoon, this is actually (Alessandro Blanc) from Banc of America/Merrill Lynch. I have a question regarding covenants on the debt that you have. On the ITR, you state that you have several covenants, but it's not disclosed what type of debt these covenants pertain to, so that would be my first question. And my second question would be, in terms of EBITDA, what is the definition of EBITDA? Does it include the gains or losses of hedging and is it also on a pro forma basis? Thank you.

A - Paulo Diniz

Yes, basically, (Alejandro), in terms of financial covenants, in terms of our capital market transactions, of our bonds, we don't have any competitive covenants. So we are talking

about, as you said, loan with IFC. That loan was assigned in the beginning of 2004, even before Cosan SA came to the market.

And needless to say that after that, we had major or dramatic changes at Cosan, not only by many acquisitions, new business, new products, verticalization and so on and so forth, but to make a long story short, the Cosan of today is totally different than the Cosan of yesterday, although we still have an outstanding balance of something slightly less than \$50 million in terms of debt with IFC.

What we have today is overall renegotiation of the loan agreement, because some of those, let's say, companies under Cosan that were even guaranteed the debt, they do not exist any longer. So again, the whole I would say loan agreement package is being redrafted in order to mirror the reality of the company that we have today.

Your second question, in terms of EBITDA with H, our definition, yes, is that all our other results of our hedging activities, they are included in this EBITDA with H at the end. And for the calculation of the figures that I mentioned, yes, we are including pro forma figures of 12 months, not only in terms of Essobras, but also Nova America. You are right.

Q - Alessandro Blanc

Okay. And just to confirm, the promissory notes that are due now in November 2009, they don't have any type of financial covenants?

A - Paulo Diniz

No, it's commercial paper with -- Bradesco is one of our banks. It's our best in-house bank. There's no financial covenant in there, yes.

Q - Alessandro Blanc

Okay. Thank you very much.

A - Paulo Diniz

Thank you.

Operator

Thank you. Your next question comes from the line of Giovana Araujo with Itau Securities. Giovana, your line is open. You may proceed with your question.

Q - Paula Kavorsky

Okay, this is actually (Paula Kavorsky) from Itau Securities. I would like to make two questions. Could you comment on what's your expectation for this year closing net debt to EBITDA in the new Cosan? And second question goes into Esso. If you look at the EBITDA per cubic meter that the numbers presented on Esso, it amounts to something

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like BRL29 per cubic meter, and this compares to, for instance, Ipiranga's BRL41 average for the year and BRL55 in the Fourth Quarter, so there's a big gap here.

Would it be sound to believe that your operations in Esso could go somewhere close to those higher or better operating standards compared to Ipiranga? And the next question has to do with CapEx for Esso network. What we know is the recent CapEx investments from Exxon in the Brazilian network haven't been that high in the recent years, so I would imagine that there is a big chunk of CapEx that needs to go into refurbishing double-membrane tanks and things like that to comply with environmental issues. Could you comment on that? Do you have any estimates on CapEx requirements to adequate Esso network?

A - Marcos Lutz {BIO 6779636 <GO>}

Paula, it's Marcos Lutz speaking here. I'll start from the former Essobras, now Cosan fuels and lubes operation. First of all, when you compare -- I mean, when you see this number, it's closed now. This is December and January only, which is not representative of our ongoing operations. So December was the first month after changing control, with one installment charges that were due to the change in control itself and also impacted by a different inventory policy we carried because of the seven-day blackout on the SAP we have to program.

So if you get an average of the 12 months of 2008, this number is more in line with the company you mentioned. In fact, we do have a strong operation in lubes, in aviation, that has let's say margins that are a lot better than those, and we tend to have better margins in our inventory basis, so we will see this along the year.

And we see a very solid also operation due to having a strong focus on city stations, where gasoline and ethanol are stronger than diesel, in a scenario like we are foreseeing with slower economic activity, having that exposure is better, because GDP correlates directly with diesel sales, not directly with low gas sales.

So we will have a good position on the -- in terms of the CapEx, it's important to say that during the transition period, we already deployed \$30 million to re-secure the network that at the point we signed the memorandum, the (shepherded) agreement, we had almost 40% of the network without a contract valid. And throughout this period, we actually came to industry benchmarks, which is around 20%.

So we already did a big chunk of let's say the homework that had to be done. We will be seeing very soon a change in the network, and we already see in many specific areas a change in the -- let's say the look of some of the stations. There is a program for media, as well, not a strong program on medium, but we will have some program of media coming also this year.

But the point is, we won't -- we don't have an expectation of a huge CapEx ahead, like we projected in the initial business plan. The capacity will be more focused on expansion of the chain. We were very, very successful in re-securing the chain that was already with the Essobras operation at costs that were pretty much half of our initial projections and we

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found the network that was very loyal to the group and the remaining stations, when we acquired, were very, very solid.

So I won't give estimates. I'd like to pass to Paulo. He knows better the line that I cannot cross here, but we tend to give estimates of capacity for the entire group. We won't disclose operation by operation, and then Paulo can give you a heads up on that.

A - Paulo Diniz

Okay, Paula, just to complement what Marcos said, we are going to be releasing our guidance for investment in the next quarter. Nevertheless, we can anticipate that we are planning to have a similar amount in CapEx expenditures than the one that we are registering this year. Of course, that we have to always bear in mind that the great majority of the investments are extremely modular, because they are related to the different Cosan programs that we have in our group, and consequently we are not going to be moving ahead with those investments, unless we have secured BNDES financing.

And by the same token, I mean, coming back through the beginning of your question, our -- as you know, we are shortening our fiscal year, so we are going to be closing March 31st, so you ask at March 31st, we are planning to have a net debt to EBITDA ratio of 4.4 times. And in here, make sure that this is -- let's put this way a paper ratio, because we are only considering part of Essobras results. That means December, January, February and March.

However, on a pro forma basis, if we calculated the some ratio, using 12 months of debt would be under 3.5 times. And just expanding that scenario for next year, that shall be dropping to 2.8 times. However, just by doing an exercise, including the operations of Nova America, which of course the debt of Nova America, by March 31st, 2010, this 2.8 times would go to 3.3 times, but, again, would be lower than what we have nowadays.

Q - Paula Kavorsky

And what's the basis for the EBITDA you're considering in your calculation? Is it this quarter annualized, or is it accounting for future -- how are you -- what kind of EBITDA?

A - Paulo Diniz

It's the last 12 months.

Q - Paula Kavorsky

Last 12 months, okay.

A - Paulo Diniz

Correct.

Q - Paula Kavorsky

Okay. Thank you.

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A - Paulo Diniz

Thank you.

Operator

Your next question comes from the line of Marcus Sequeira with Deutsche Bank.

Q - Marcus Sequeira {BIO 4622700 <GO>}

Hello?

A - Marcos Lutz {BIO 6779636 <GO>}

Yes, Marcus.

Q - Marcus Sequeira {BIO 4622700 <GO>}

Thank you, so. Good morning, everyone. Quick questions. One, if you could provide us with an update on your brownfield and greenfield projects, what's the status there and what the Nova America acquisition will result for those projects, if we're going to see delays or a change in scope for those projects.

Then a quick question on the contract that you guys sell to ALL. I noticed it is subject to three clauses, so it's not final yet, but in the case that this contract goes as planned, I understand the impact for you guys would be an improvement in transportation costs, if you could just give an idea of how much you expect to be saving with transportation costs. And the last question is on the transition to IFRS in Brazil. When do you expect to start implementing the new accounting standards, and if you see any big impact, especially on inventories and other lines? Thank you.

A - Paulo Diniz

As far as the greenfield and brownfield strategy, of course, that what is driving that strategy is value. Consequently, yes, we are going to finalize the first module, Jatai in Goias, especially because we are almost there. We start to crush this crop.

However, as we mentioned in the past, we believe that we had better and more interesting opportunities in the marketplace than to build up greenfield from zero. Therefore, we rather prefer this merger with Nova America, because it on quantitative terms was more interesting than the other models. Therefore, we are putting that on hold for the time being.

With regard to ALL, you want to talk about the synergy, Marcos?

A - Marcos Lutz {BIO 6779636 <GO>}

Marcos Lutz speaking here. Regarding to ALL, we have a very large deal done and this is not only focused on reducing Cosan's costs. It's basically building a large infrastructure that will service basically the entire center-south of Brazil for sugar exports. So obviously

there is a big impact on Cosan EBITDA. I will understand that Cosan will let's say hire Rumo at a price that is roughly 10% under the current costs.

But the point is Rumo with that revenue will actually have very large EBITDA numbers. So it is a great opportunity we had basically identified with ALL, because they have a network that basically is along the logistics we use. This year, we'll be producing more than 3 million tons of sugar for export.

So we are a very large, let's say, user of a network like that. And ALL currently does not have capacity or is not competitive in terms of price, as well, to basically convey that product to us. So the concept of the project was to basically do a very large revamp in the bottleneck of ALL and also to have room of buying locomotives and rail cars to operate in an integrated basis from concentration points in the country of Sao Paulo and also a very large port that we already operate.

This year, we will be elevating more than 8 million tons of sugar in the port, so a lot more than our own cargo, but the idea is to have Rumo as a very, very efficient logistics unit train operator, with a system of let's say concentration and storing at the interior of the state of Sao Paulo.

I mean, your question should be answered as a Cosan-only perspective in roughly 10% of the sugar exports logistics reduction. But on the Cosan Group as a whole, there is a very large, very important number that will come from this let's say optimization of the transportation.

A - Paulo Diniz

And, Marcus, in terms of IFRS, basically, as you know, companies in Brazil, they are supposed to use it starting 2010 calendar year. In our case, we are planning to already implement that in the next crop, so the fiscal year that starts in April. It's closer, as you know, to US GAAP than Brazilian GAAP. Therefore we shall be seeing in terms of Cosan, because, again, depends on each company.

In terms of Cosan, we shall have some important changes, starting with goodwill, as you know, upon doing IFRS and US GAAP. You do not amortize goodwill like you do in terms of purchasing accounting when we buy (some more). You have an appraisal and then you revalue your fixed assets. That would say you distribute your goodwill in real value of fixed assets and in goodwill itself, and goodwill itself you do not amortize.

Also in terms of mark-to-market positions of your financial assets, they must be marked to market. Therefore, what you see in terms of your assets or liabilities depends on where you are with your derivatives. They are not going to be shown in there because they are going to go to the P&L. Revaluation of assets, also something that exists, so you are going to reverse any revaluation that you have done in the past.

Also, the way that you account the leasing is important in its impact, and cost of placement of shares, usually in Brazilian GAAP you channel those costs through the P&L,

penalizing your results. In US GAAP and IFRS, you are going to net them against the amount received and only the amount received is going to go to your books, to your balance sheet and no charge in the P&L is going to occur. So just to give a little bit of flavor how the whole things should be shaping up in the near future.

Q - Marcus Sequeira {BIO 4622700 <GO>}

That's great. Thank you, very much.

Operator

(Operator Instructions)

Your next question comes from the line of Eduardo Vieira with Credit Suisse.

Q - Eduardo Vieira {BIO 3087009 <GO>}

I apologize if it has already been answered, but could you clarify or remind us, on the timetable for the logistics investment, the (regular) logistics, if that came out this weekend. Also, can you comment on the -- (thoroughly) for short term, or how you plan to refinance the short-term debt and if you can give us some more detail on the profile of this short-term debt. That's like spread out, or like there's a big concentration, and where you are acting to refinance. Thank you.

A - Paulo Diniz

Starting from the back, basically, when we talk about short-term debt at Cosan, really, we are talking about the commercial paper that we took in order to finance the acquisition of Essobras, and, as you know, Bradesco is our in-house bank, and the agreement that we have with them, yes, the commercial paper is maturing in December of this year, but the agreement that we have with them is that this commercial paper should be taken out to long-term debt instruments, loan syndication or capital markets transactions and we have our commitment towards Bradesco that Bradesco would be in a leading position in such a take out.

But this is, again, basically what we have in considering that the group today, even in North America, has exports around \$800 million to \$1 billion, you see that it would be thought that this (thing), even if the market continues to be bad, to try to structure a pre-export or financing or even to roll those promissory notes.

This is basically with regards to the debt profile. And your first part of the question was with regards to ALL?

A - Marcos Lutz {BIO 6779636 <GO>}

So basically the timetable hasn't fallen. We are now preparing the material for our road show. The commitment, internal commitment we have, is this should not impact on the net debt of the group, so the investment is to be funded with equity, directly at the room

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of business, so we intend to be on the road in the next 40 days. We have already strong indications from some investors.

Basically, on the other side, on the government side, we believe that in the next 90 days we have the approval from the agencies, and therefore if we -- let's say if we in six months, we can actually address all the substantive clauses of the contract and the contract is sold, then we're talking about immediately having the economic advantages on price and et cetera that the contract brings.

But, in terms of volume, we will be seeing in three years the large volumes coming. So we basically will start with million tons the first day, and then we will grow this volume to 9 million tons after the conclusion of the funding and approvals in the fourth year. So basically that's kind of the timeline.

Q - Eduardo Vieira {BIO 3087009 <GO>}

Okay, and let me see if I understood correctly. When you say equity, is it equity from Cosan, like that internal proceeds, or are you considering a primary issue for ALL or for the (Cosan)?

A - Marcos Lutz {BIO 6779636 <GO>}

No, we are talking about a company called Rumo Logistics. This company currently is 100% owned by Cosan, or let's say 100% controlled by the group, and the idea is to (leave) the road, to find an equity or some equity investors outside ALL or outside Cosan and who bring new money and will dilute the Cosan control we bought to 50% or so, and with this additional equity we'll do whole investments.

Then, obviously, if there is a big leveraging possibility on this, but this is to be done in the future because obviously BNDES is the major source, but this is another story and should not impact the consolidated debt position of Cosan.

So yes, the idea is to bring new equity to this venture, which is a different type of equity. It's focused in infrastructure and is a very rounded project for that, because the cargo has the railway, has the port and is a very solid project with good interest.

A - Paulo Diniz

Just to complement what Marcos is saying, from the point of view of Cosan, Cosan is going pretty fast. In Rumo, basically, what it already has invested is basically port terminals, and from a financial point of view, what we felt during the last months is that there is a very specific group of investors, very, very, let's say focused on infrastructure, not only in Brazil, but now in our different countries, and basically presenting the kind of gap that we have with regards to sugar and ethanol handling here in the center-south of our country. They became very, very interested in this project.

Therefore, as Marcos pointed out, and I just want to emphasize, we are not foreseeing one single cent coming from Cosan, so this shall be new money from new investors that

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are funds dedicated into infrastructure. Okay?

Q - Eduardo Vieira {BIO 3087009 <GO>}

Okay, excellent, and just one little follow-up. From your base case, your ideal expectation, what would be more or less the maximum amount of cash that Cosan would be committing to that, already assuming the base case investor interest?

A - Paulo Diniz

I'm not sure if I followed your question. Could you repeat it again?

Q - Eduardo Vieira {BIO 3087009 <GO>}

Yes, out of the total investment announced, how much -- because you said you mentioned that you might be contributing some assets to this new project, so --

A - Paulo Diniz

You are talking about Rumo?

Q - Eduardo Vieira {BIO 3087009 <GO>}

Rumo, yes.

A - Paulo Diniz

No, no, no, I mean the assets that Cosan is going to contribute are really the assets that we have already there, and this is basically the port terminal. We are not talking about any other contribution, especially cash.

Q - Eduardo Vieira {BIO 3087009 <GO>}

Okay, okay, so the idea is that there is no cash coming from Cosan to this network?

A - Paulo Diniz

That's correct.

A - Marcos Lutz {BIO 6779636 <GO>}

Yes, that's correct.

Q - Eduardo Vieira {BIO 3087009 <GO>}

Very good, very good. Thanks. Thank you, very much.

A - Paulo Diniz

Thank you.

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Operator

Thank you. Ladies and gentlemen. we have reached the end of the allotted times for questions and answers. Mr. Diniz, are there any closing remarks?

A - Paulo Diniz

So that brings us to the end of our call and in the name of Cosan and mainly in my own name, I would like to take this opportunity to thank everyone for your support in constructing and shaping of Cosan of today, since we first accessed the capital market years ago. So thank you very much, and see you around.

Operator

Thank you. That does conclude today's conference call. Thank you for your participation. You may now disconnect.

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