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# EDITED TRANSCRIPT

CZZ - Cosan Ltd Corporate Analyst Meeting

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## PRESENTATION

**Paula Kovarsky** - *Cosan Limited - Head of IR*

Hi, good morning. We're about to begin one more Cosan Day, the tenth edition of our special event. When I watched the video we've just played to you, I was thinking about what I could say at the start of our 10th event. And what came to my mind was a race. When we run together and we pass the baton and you only win the race if you run well together. And we've announced some important business in our management. We planned and we programmed our changes. We have picked specific talent. Our athletes, some of them will be rotating places here today and following the same concept of passing the baton in a race.

I was waiting to come up onto the stage, and I remembered when I used to swim, and we'd have individual contests, and at the end of the day, we would pass the baton, and we would all do better. There's somebody who sets the pace, somebody who continues with the pace and somebody who's responsible for the final sprint. And it's always a team victory. It's about overcoming challenges. And that's what we come here to talk about every year about our achievements, about our marathon, the work we do that we take very seriously, which is very consistent. And above anything else, it's teamwork at Cosan.

2020 has started. We're more optimistic. We were all surprised by a major issue, coronavirus. We have implemented some measures, precautionary measures. Of course, the market is important, but people's lives are above all that. So we have disinfectants all over the place. We have some safety tips. And we need to avoid very common habits in our culture, and it's important for everyone to do their part.

Still on safety. We don't have any training sessions scheduled for today. If the alarm does go, we have emergency exits. You go out to the foray upstairs and our meeting point will be on the ground floor next to the security booth in the car park.



Our agenda is a little bit different today. We'll start with Moove, Raízen, then we'll have a Q&A session, then Rumo, then another Q&A session and then Compass, Comgás and then our holding presentation followed by another Q&A session and then lunch, as usual.

So that's what I wanted to say to you to start with. Marcos, let's open our session officially.

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**Marcos Marinho Lutz** - *Cosan Limited - Vice Chairman & CEO*

Good morning, everyone. First of all, Paula was telling me off because last year, I didn't say welcome to the 10th event. We skipped a year. As Paula has said, we had to cancel the event in New York because of the coronavirus issue. So we are broadcasting live with simultaneous translation, and we will also be broadcasting via videos. It won't be the same, but at least, we'll be able to convey what's happening at the company. And we'll have presentations about the capital market with the whole team.

So economic exposure to coronavirus was smaller, when these presentations were put together. So some aspects will sort of fall outside the current situation like oil, for instance, but we're always going for it, as you know. So we will be going for it again this year. We will be delivering on our guidance and we will be making things happen, again, just like we have every year. We're very optimistic, and we really trust that we'll have positive results.

Today, I personally think we have a lot of interesting things to share with you. No spoilers. We will be talking about some very relevant initiatives. I think they are transformative to Cosan. And I do hope you enjoy what we have to share with you. And that you also enjoy our interaction afternoon sessions. I won't take up too much of your time. I only have 1 or 2 minutes to say good morning to you. So good morning. Welcome to our 10th Cosan Day. It is an honor for us to be here with you. We're very grateful to your support during harder times, not such hard times, some looking out, some looking in. But at the end of the day, market funding has always been key to the development of this company. And we see you as key participants in our journey.

So Filipe Affonso Ferreira is the VP for Lubricants. And he will start the day by talking about Moove. Filipe?

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**Filipe Affonso Ferreira** - *Cosan Limited - CEO of Moove*

Hello, good morning. It's a pleasure to be here today to talk a little bit about how Moove has been progressing. As you all know, our businesses are connected to the fact that we want to become the global benchmark in the lubricants market. We are guided by our priorities. Year-on-year, we put together high-performing teams. We focus on creating a culture of efficiency, so that we can capture value by expanding our businesses.

Given this very ambitious vision -- the clicker is not working, we have made a few strategic choices. Apologies. We've made a few strategic choices with a great deal of focus. So within the lubricant chain, we have decided where we want to be, and that is where we are able to create more value, and within the globe, which are the regions where we want to be present.

In 2019, we were already present in the markets that have defined our strategy. These are major markets, huge volumes with excellent growth potential and platform. And this year, we have been working on integrating these businesses that have come from investments that we have made. We concluded the year by being a multinational headquartered in Brazil. And taking that into consideration, we have worked really hard to unify our culture, and now we can safely say that our culture is based on the best people have to offer and top performances. We have established a streamlined and efficient organizational design that allows for a global governance, allows us to have local execution. At the same time, we have established processes, systems, tools to support our different businesses and all of that in light of the reality and different maturity level of each business.

We have been able to create an environment of trust of collaboration that allows us to channel the collective intelligence of each business towards the business as a whole.

The culture of efficiency has become more pervasive within our organization. We have progressed a lot in our lean program and our S&OP and that has given us a great deal of traction. We have reduced volume bottlenecks, increased productivity. Our philosophy is one of value creation, asking questions, adding value, problem solution methodology, which becomes a growing part of our culture.

We love eliminating waste. Waste is something we do not like. We don't want to be doing anything automatically in our business. And given these higher volumes, higher productivity, more sophisticated processes, in order to protect our personnel, we have been investing in awareness, safety, skills, competencies in the last year to keep our number of incidents as low as possible.

Moove behavior goes beyond physical safety to get to financial security and emotional safety as well, always safe. Our revenue has been consistently going up. And that is based on the fact that our sales organization is constantly evolving. We focus on different channels, and we are constantly on the look out for any changes in these channels. We also invest in the skills and competencies of our sales force so that we can keep high levels of service. That is our biggest assets. So we are constantly paying attention to our customer pain points and needs.

As for the results, we have been executing on our strategies and creating a culture that is people-based, people-focused and we also focus on continuous improvement, which has been ensuring that we deliver consistent results, stable results, sustainable results. And at the end of 2019, our results were 2.5x higher than 2016. We're very proud to announce that.

In conclusion, actually, in 2019, we invested in our financial management. We have strengthened our cash management, and we concluded the year with our own capital structure. We have delivered on our EBITDA cash conversion, and we have investment on CVC, and we have concluded the year stronger so that we continue to grow.

We started 2020 with robust governance in a multinational environment. We will continue to invest in our main assets, which are our people, our management systems, which can ensure that we deliver exponential results based on business growth. Luis? Thank you.

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### **Luis Henrique Guimaraes**

Good morning. Huge pleasure to be here with you today to talk a little bit about Raízen. And I'd just like to remind you where we concluded the year last year at our last Cosan Day when we talked about the company's strategy. So today, I'm just here to recap our 2019 results until the end of the season by the end of March and then Mussa will talk about what happened after that. Mussa will be able to share our vision on continuity with you, where this company is going based on our current platform, future opportunities. So I'll start by talking about safety.

We continue to reduce our TRCF and LTIF levels. That is a constant concern, focusing on people, processes, and we will never become complacent when it comes to safety. We made a decision that came from our decision to expand the business of reporting on our combined businesses, including the Argentinian geography, Brazilian geography and trading. It's an integrated platform. As of April, it would be fully integrated with Argentina's SAP and huge back-office operations. So all of this is combined.

Now looking at the market. This year, we had a volume retraction despite market difficulties in Argentina because of the political crisis and the recession. The fuel market did grow in Argentina as well as Brazil, despite the GDP having disappointed in both countries. New entrants, new competition, I know that is one of your concerns, but it's good news to the market. In our opinion, this market will continue to consolidate, but it will now be bottom-up rather than top-down. And these new entrants will become stronger. They will be acquiring retail networks, B2B and distributors. So they will be playing our game. This is a game we're very familiar with.

What we have been fighting for is the regulatory environment. So you will be hearing a lot about power and gas. We have had major regulatory changes, divestment. Petrobras divestment will be changing the configuration of the market. Things have already started to change since price configuration has changed, especially considering the international market, but we will focus on what we know what to do: segmenting customers, being closer to our dealers and also integrated logistics, supply, reducing cost, increasing efficiency. That is the game we know how to play, and that's what we have been doing in all of our geographies: Latin America, some other regional markets still through trading, but there's still a great deal of opportunities.



As for consumption, I've already talked about that. There has been an increase in ethanol and diesel. We believe that was going to continue, but we need to see what was going to happen based on the issues we've had in the last couple of days -- the last few days.

Infrastructure. We have always focused on that. The blue dots, especially in the north -- excuse me, the gray dots in the north and the northeast where we've had new projects approved, they are always more exposed to imports. So we would like to have a solid infrastructure to make sure that we can continue to grow and have ensured supply.

As soon as we bought the refinery in Argentina, we also purchased a warehouse next to it to improve the infrastructure going up to Paraguay, Uruguay, Bolivia and other attractive regional markets as well as our trading capacity in Argentina. So we will continue to focus on that. We have money to expand the infrastructure over the next few years, major operations have been implemented. We will continue to fine-tune that over the next few years. So the message is, we are extremely well positioned, as you can see, in terms of infrastructure needs in Brazil and Latin America.

Now moving on to the implementation of the network. Same again, network is still growing. We have gone over [7 point -- 2,000 points] of sale over 1,300 convenience stores, solid points, solid dealers in the best corners and the best operation, a great deal of segmentation. B2B customers and aviation, these are 2 businesses that we have also integrated regionally, and we will continue to have the best throughput in the business in the sector, selecting the best points of sale, best operations and the best logistics. So our EBITDA has been continuously growing and cash generation as well. We continue to focus on the same elements in the last 10 years, increasing our base which is crucial in terms of scale operation, which will allow us to develop better personnel to have better partners. Mussa will be talking about proximity, digital transformation and so on and so forth.

In terms of power, prices have improved. We've had some good sugar prices, ethanol prices driven by the auto cycle. So we've had some good ethanol prices in the market. It's been a global thing. It's no different in Brazil. The rest of the world has been asking for sustainable goals, positive agenda for ethanol with RenovaBio coming into Brazil this year. Not only here, but there are countless countries around the world increasing the level of ethanol in the mix: India, Pakistan and so on. So we are extremely well positioned as an industry. All things being equal, the renewables platform should grow in the next few years.

And last, but not least, power and fuel markets in Brazil, increasing the captive market integrating to the gas and power markets that will lead to opportunities, and we are making sure we're in the right position for that. We have been focusing on recovering productivity. That is our biggest gap. We've been working on that. Francis has been working hard on that with his team. So we need to improve productivity. We are outsourcing some farms, partners who are better than us in terms of productivity and you will be seeing more details about investments in profitable renewable energy projects and important transformations that are happening in biogas, pellets and so on. So improving on what we do today, focusing on productivity and making the most of the investments we've made in the last few years in technology that we already have. Most players don't have them in the market.

As I said, a deficit sugar market this year. We'll still have some deficit next year. Prices have recovered, and we hope that we'll continue looking forward. So we'll see what happens. In terms of oil, it's very hard to predict that. So in terms of acreage, it has been increasing above average to recover productivity of our sugarcane plantation. So based on our cost to have a better denominator and to ramp-up, which has been flat in BRL 0.11, and we want to reduce that even more. That is the main focus of our operation, improving productivity.

Financial highlights. This year will be concluded at better levels of EBITDA than last year and making sure that we can guarantee productivity. So in total, this season will be 8.7% adjusted EBITDA considering BRL 1 billion of the transaction in terms of convenience and proximity, which is crucial to our growth and cash generation in line with dividends or above the last few periods.

So in summary, consistent top-quality teams. We are developing new talent in our team, preparing for future changes, regulatory changes, new opportunities we see in the market based on that. And our guidance for next year, this was put together by myself, Mussa, our leaders, Leo, Theo, Paula, Fabio and so on so that we can again guarantee consistent performances next year.

So I'd like to invite Mussa to come up to the stage. He will be replacing me as of April so that he can talk about our journey, which is now 10 years to a new level.

**Ricardo Dell Aquila Mussa** - *Cosan S.A. - Executive Officer*

Hello, everyone. Thank you, Luis. Now I'd like to talk about Raízen's journey. Journey will be the most frequent word in my presentation. We're not planning on any radical changes, quite the opposite. We will be continuing what Vasco started and Luis continued, and I hope to continue as well.

Let's look at Raízen's history. Excellence in execution. We have tripled the size of the company. The results in the last 9, close to 10 years, to fuel businesses, sugar, ethanol, bioenergy. We have changed the number of stations from 4,200 fuel stations to 7,200, almost doubled it, very consistent market share. So we have been growing the company's volume year-on-year. We have been increasing market share. We have doubled the convenience store business.

We entered the Argentinian market and proved to Shell that we could replicate that business model in Brazil in another Latin American market. Trading, we have almost tripled our ethanol, renewable oil, other byproducts in the same period. Huge reduction in the headcount with automation. So our cost reduction has been excellent. We have the lowest cost if you compare to India, Thailand, Australia. Raízen has a lower operating cost, production cost than all of those. So it makes our business very resilient. And that's what our journey is all about. That's what Luis has said. We have reduced our results more than 10x in terms of safety. So that's what we've done so far.

What's happening looking forward? What are the megatrends? You're all familiar with this. Over the last few months, clean energy has become a buzz term. We are on the right side of the coin, digital revolution. This is no news to anyone. We're talking about new consumption behavior as well, being closer to consumers, and we are tackling that through OXXO low-emission cars, not only electric cars, but hybrid cars as well, changing electric or power consumption and distributed energy generation. I'm going to touch on that, but this is definitely a trend. These are market trends, and we'll see how Raízen is getting ready for them.

First thing is consistent. So let's talk about fuels. This chart shows how Raízen's market share has been increasing year-on-year, increasing volumes based on business consistent. Leo is the leader in this strategy. It's all very consistent. We have excellent resale, our B2B portfolio. If you look at the relevance of this business, it's much bigger than it used to be 9 years ago. We have a unique infrastructure that came from Shell's and Esso's portfolio. The investments that have been made in the last 6 months on infrastructure have meant that we are very well positioned: over 9 ports, over 72 terminals, 67 airports. We are really well positioned in Brazil with unique efficiency.

So when you look at the average distance between our terminals and our fuel stations where our terminals are located, mean we have huge advantage, and it makes us very efficient. That's what I mentioned before.

So we have a win-win relationship with dealers. There has never been a conflict. We want our dealers to be strong, and we will continue to do the same thing. Nothing will be changing. I get asked a lot if Esso's will be changing, and we want to keep that as a strength. We're talking about Shell Box. And in Argentina, we've been working on our integrated margin because when you have refineries and you have a vertical business, that means you can work on trading because of that integration. So that is one of our strengths, and we have been exploring that.

And the last thing on this slide is our power potential that we have been capturing on with Argentina. We have a single byproduct import desk. In 2019, we had BRL 150 million synergy and the potential is to achieve BRL 350 million by operating these 2 countries together. This is already true and will continue to be so.

Shell Box. Over the years, Raízen has been selecting a digital customer relations platform and a platform to relate to our end user. And we think we got it right. This business has been growing exponentially. This is not a loyalty program. This is a tool that will bring us closer to our clients. When they come to our petrol stations, they get points, and they can use those points in the Shell network. So they won't be use those points to buy plane tickets or anything like that, it's a relationship program. So they can use our platform to come to our stations to win points, and it's an open market.

One of the main points here is the partnerships. We have an open platform. So we have (inaudible). We have a relationship with (inaudible), the supermarket chain, so that they can use their points in the entire network. It's been great. We are betting on this platform. And 2 points I'd like to draw your attention to is the high frequency of use and the V-Power conversion. It's twice as the average. So again, this platform, it's here to stay.

It is growing very quickly. Over the past 3 years, we've been investing a large part of our time in turning this into a solid platform so that it can help the business to grow.

You will be hearing more and more about Shell Box, not only at our petrol stations, but also convenience stores, the convenience store network outside the petrol stations, and it will become increasingly more relevant. We're ready. We think we got the platform right, and all we have to do now is grow. As for convenience, the highlight here is our joint venture with OXXO.

I talk a lot about FEMSA, about OXXO, it's a huge company. They are leaders in the Mexican market, over 20,000 stores. And the idea was to bring in this expertise, which we didn't have in retail. My relationship with the OXXO Mexican team showed me how much they focus on the operating side. So we want to have that in supply chain. We will be investing in storage, distribution. We'll have 2 models. One of them will be our select stores in the petrol stations, and we will also have stores close by through the OXXO brand. We think we have the right partner. And now all we have to do is roll it out.

We started operations in December. We have a new team, a new CEO, just as it needs to be with huge responsibility, the OXXO team and the FEMSA team are already here in Brazil. We'll have a pilot project, which will be announced soon, and they'll start with the new model in the first quarter of the new season. So again, focus on growth. This is a growth business. I don't have a time line here, but this 5x expansion should be taking place very, very quickly.

Again, let's talk about sugar and ethanol. This is [Mea culpa]. I think we did excellent work on cost reduction. And this slide shows that if we can take our sugarcane per hectare potential -- when I say about -- when I talk about potential, I'm talking about our suppliers. So if we can take the business to the same level of our suppliers, we're talking about BRL 800 million additional a year just by taking our productivity up to normal levels. This is in our control. It's in our hands. If we look at how much we've planted in the last few years to recover, we really believe this. We think we can bridge that gap in the next 2 years. The first metrics in January and February are pointing to excellent figures. So it's within our reach.

Again, if we think about biomass optimization, I'm going to talk to you about what we've been doing in terms of biomass utilization and cogeneration. We're talking about energy efficiency. We've been reducing steam consumption. There's more biomass left over that we can use in cogeneration and other things, advancing in the sugar chain. If you think of Raízen today, ethanol gets produced and sold to end users. We cannot hand it over to traders. We do the logistics, and we hand it over to the end user. 100% of Raízen's sugar used to be sold to trading companies, to traders. We've invested in storage. We've invested in logistics, and now we are delivering sugar straight to the end user over 200,000 tons to customers in Africa, U.S., Canada. We will more than double that figure now, and the sugar chain will be progressing.

So Raízen has changed the way it treats ethanol, and we are now catching up with sugar. RenovaBio is a new program. We are an integrated business. We have trading capacity. So we believe we will be leading the RenovaBio program, especially when it comes to [CBIO Trading,] which is coming.

Now let's talk a little bit about global decarbonization. We forget about talking about 2G ethanol. But Brazilian ethanol, when you look at the full carbon cycle, the well-to-well, the full ethanol cycle, Brazilian ethanol is the most efficient even when compared to electric vehicles. Very few people look at this. We already have the product. Ethanol is a reality. The infrastructure is set up, vehicles have been tested, have been approved. I don't think we explore the potential of ethanol enough. This new wave of sustainability is making us look again and trying to expand this market. As Luis said, India and Thailand are markets we need to help develop so that ethanol can become more widely accepted. This is a clear example of things that are in our favor and will help Raízen to grow.

Let's talk about a few new things. I need to spend a little longer on this slide, renewables. At the top of the slide, we see our competitive advantages. Let me give you some examples. Sugarcane is an excellent energy conversion plant in terms of biomass. Everyone knows that. And I don't think we are using a large part of this biomass. We only use 30 million out of the 60 million tons of biomass, and it comes from the gas. So we're not making the most of that. Raízen's main advantage is biomass availability. We have excellent results in converting biomass into energy. And then E2G, we have been investing in the last 7 years, a great deal in technology, and this is our own technology, so that we can make better use of the biomass. We have biogas. We have pellets and trading. We know how to work with these products. We know how to trade. We have a desk, E2G, pellets, biogas, our trading desks, know-how to work with those products, and we have to make the most of it. And last but not least, customer



access. We have our sales force. We have access to the end user, and this market is changing through distributed generation and free market. And we are already part of that. We have bought an energy distributor, solar energy and our strength is customer access.

I will talk about 3 biomass projects, which, you can see here, which is E2G biogas. This is the one that has the best potential. We've come to a point where technology has been proven. We have very competitive costs in our plant, and now has come the time to accelerate. Our numbers still do not present the expansion of the E2G in a way, if you look at our guidance for the next 5 years, it's not included in this number the expansion of E2G. Well, there is an advantage because we're the owners of the technology. So I can exploit here not only in Brazil, but if I'm able to convince the Indian government to give us support, I could even license the technology in those countries. So this is a project where the proprietary technology is ready to be rolled out.

Now when we talk about pellets, the technology in pellets is well known. We have the only plant in Brazil. But the most important thing that we did this year -- last year, that is, was to test this technology and this product in Germany. We carried out a very successful plan and test, and it has been approved. So now we're trying to get the commercial contract so that we can expand. So this is an expansion of our own mills. We are not going to give licenses to our technology, but a better use of our biomass for energy production.

Now biogas. Biogas, also, there is a -- the ethanol market is 30 million liters. We produce vinasse only more than the whole market of biogas. We have 30 billion liters of vinasse. So we have to spend money to put this in our farms. So I -- here, I have a byproduct that has no value, a very well-known technology, which is for a reactor for the production of biogas, and we're now going to inaugurate the biggest plant for biogas. It is in Bonfim. So this is a project for me that is a well-known technology. The market-to-market is well known. There is no difficulty in selling biogas or power. We have an amount of raw material, which is enormous to be exposed. So you're going to see an acceleration when we talk about biomass. So these 3 projects have been -- we have been studying and working on this in the last 3 years. So now you're going to see in our business plan more and more. This is going to take strong colors and very related to renewables.

And in closing here, I would just like to make a summary of what is the priority here in the company. I didn't want to go into too much details, but we have the fuels. We have the proximity convenience and also our business of ethanol, sugar and bioenergy. So these are the 3 areas, the 3 industries that we're going to expand in. And we're talking a lot about continuity. And I said, consistency and strategy, especially for fuels, focused on efficiency. When we talk about power, our partnership with OXXO for expansion and the new renewable projects, okay?

Well, thank you very much. We're going to go to a Q&A now, and I will invite Luis and Filipe to come up to the stage.

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## QUESTIONS AND ANSWERS

**Paula Kovarsky** - *Cosan Limited - Head of IR*

Hello, everyone. As you know, we're going to have a Q&A. We have microphones spread out in this hall. And please speak into the microphone for questions and for simultaneous translation.

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**Unidentified Analyst**

Luis, Mussa.

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**Ricardo Dell Aquila Mussa** - *Cosan S.A. - Executive Officer*

Where are you? Oh, could -- just -- oh, I thought you would be first.

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### Unidentified Analyst

Well, question. [Luis Fenner] I'm from the UBS Bank. If I could take this opportunity, Luis, you said in your presentation about a consolidation from the base, a better competitive environment, but when we talk about the main players that are participating in this process of consolidation like (inaudible) and others, they don't share the same vision. They believe that this is a movement with these acquisitions that are happening, those are already players that participated in the market in a very, let's say, healthy between quotations way. It's not an acquisition of players that we're not playing the rules of the game. So I would like to understand what are the arguments? Or what can you say to talk about this competitive environment? Because now we have players that are far more prepared. BR, for example, was going through a difficult moment, and now they're much better prepared. So if you could share a little bit your opinion about this?

And secondly, if I could approach the issue of refineries, you did mention some synergies that you were able to capture and you gave us a very high estimate in terms of trading going forward. Now I would like to understand what have you -- what has been the lesson learned with the acquisition in Argentina? And how does this purchase impact the decision taken, not in Raízen, but more with the process of Petrobras selling their refineries? How do you see -- what is your opinion about this?

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### Luis Henrique Guimaraes

Well, I will say the first one, and Mussa will speak about the effect because he has been the leader of this in-house. Well, Luis, I don't believe -- I don't agree that players is just (inaudible) and others have joined the market, just to have these very small companies that they have purchased, it doesn't make sense. So it's a very simple hypothesis. There's nothing more complicated. It depends. The way to grow this market is how we benefited ourselves. We had to choose good positions, good business and going after them. So this takes us to an increase in efficiency of other players as well because they're going to be able to press as well exert pressure on those that are irregular. So it's sort of good against evil. If you have more people on the good side with different sizes, different sites, different specializations, expertise, but we have the power of pushing -- of pressure. And the exogenous, if exist, we don't want to talk about now, but we are -- if we have a tax reform in this country, we will see -- we have a great improvement. We have seen some states already here in Brazil have more electronic participation. This is a very simple hypothesis, people with resources, quality of understanding this market. They have joined the market and not going to remain with the market with 0.1 or 0.2 or even 3. And we have seen this. We have seen some things happening. Of course, everything is very small for the moment because we have to wait for all this to consolidate and take us to another level. So this is what I can say. Of course, they're not going to be saying publicly what is the intention of each one because no one is going to say this, but we've seen things working in practice.

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### Ricardo Dell Aquila Mussa - Cosan S.A. - Executive Officer

Well, Luis, talking about the refineries. If you have a refinery, you understand the mindset of optimization. So for a level of knowledge of how Petrobras operates, it has increased enormously. We're also -- we're even participating in the recent activities at Petrobras and to understand how they work and how their mentality works to take a decision for each refinery was very important for the strategy of imports of byproduct. Raízen, we are the leaders in this process. We are very active with very much success in spite of all the volatility and also the learning process in Argentina.

So how the refinery happens? How the refining happens? My trading team is only one. And here in Brazil, we know how the refinery works, and we start understanding why things go to one side or the other. They're going to open more in Paranaguá. They're going to open less in the city of Santos. So if you look at the arbitrage this year, it was much more close in the past years. And we did much better this year than last year.

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### Luis Henrique Guimaraes

So we have improved in our reading. I would just like to say that I'm talking about total synergies not only trading, but also back office. This is why we now have SAP and a series of other ones and some deficiencies that are being solved in Argentina, integrating with the businesses here in Brazil with the best opportunities. Next question.

**Andre Saleme Hachem** - *Itaú Corretora de Valores S.A., Research Division - Research Analyst*

My name is Andre. I am from Itaú BBA. I have 2 questions. One is, you were talking about the tax reform, could you say a few words? Tax evasion is a big issue for the industry, so how do you see the tax reform -- how do you think that the structure, the tax structure could improve in Brazil to avoid this enormous tax evasion and so all this going forward? Now about CAD and the refinery level. Now Petrobras, they have one only price for everyone, but it doesn't make sense if you talk about scales, the size and scale. So do you believe there are going to be advantages how the bushel is measured? Or do you think the situation is going to be maintained? And the third part of my question is regarding Moove. Moove has become very strong in the past years. What is the constraint? Are you going to stabilize? Or do you think that the growth in the past 3 or 4 years is going to continue? Or do you think that it will slow down going forward?

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**Filipe Affonso Ferreira** - *Cosan Limited - CEO of Moove*

Well, thank you for your question. The last 3 years, as you said, our performance has evolved a lot, the deliveries. What I can say to you is that our business today has more muscles than any other moment. We have a team which is focused. We have a team which is interested in growing. They like to grow. It's part of our culture. We like to expand. We like to evolve. We like to improve. So I would not set constraints to our capacity of future execution. Quite to the contrary, I think there's room for growing in the same speed from now onwards. So I think that we have just joined the markets where we want to be defined by strategy. So now we have a big space in the U.S. We have the first year consolidating in Europe. And at the same time, we have -- our procedures have become more sophisticated and our initiatives and the construction of teams here in Brazil. So we have an organizational chart design which permits us to focus on different markets at the same time.

We have a global governance. We have passed from that phase and saying, well, now that I'm multinational, what do I do about my management? No, we're very comfortable in what we're doing. So I would say that from the point of view of our in-house and structure and headcount, we are very strong, and we will continue to grow in this rhythm.

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**Luis Henrique Guimaraes**

Now there's something here about the tax reform. But tax reform is something that we could spend a whole day talking about this. But what can I say is, we have a lot of control and we need one only point. We cannot have different Brazilian taxes like ICMS. So it's like one L has to be (inaudible) to eliminate volatility. This is a discussion that we hear here. And of course, we need monitoring. If you have a tax reform, and there's no control, not only in our industry, but all the others would default and tax evasion. So this is already at Congress, and the bill is still being discussed. It's these 4 points. And there's no doubt, they want this. All this Brazilian states want this. And they want more tax collection in all states. We believe that this is possible, a possibility.

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**Ricardo Dell Aquila Mussa** - *Cosan S.A. - Executive Officer*

Now regarding the refinery, I think there's an enormous change. People have not noticed that Petrobras was designed to work in a unique way. When you take out a refinery and bring it to the private sector, how they're going to run the refinery is going to be totally different. So the first thing is the system is going to change radically, the output will also be different. Logistics will be different. Everything will be reconfigured in the Brazilian industry. And this is how difficult is people don't really to know what is going to happen after this and scale makes a difference because, with a private owner, he is going to maximize the return of that refinery, so there is going to be an offtake -- there is going to be more -- it will be bigger. And regarding the CADE who decided that Petrobras would have to go into this direction is because CAD is working, and they will not prevent regionally any kind of difference among the states and among the different interested people. So you cannot make differences in price. The difference can be in logistics. The most difficult thing is how these refineries are going to operate. This is a substantial change. I think this is going to be very beneficial for Raízen. I think this will be integrated by our logistics. I see this in a very positive way. Whether we participate or not in the refining, I think this is a beneficial change in our favor for us and for the country.

**Thiago Callegari L. Duarte** - Banco BTG Pactual S.A., Research Division - Analyst

Duarte from BTG Pactual Bank. I have 2 questions, one about energy, power and fuel. I would say that it's almost an oxymoron when you were saying about the strategic position of a sugarcane plantation because you said you have suppliers that have levels of productivities that are much higher than you can achieve in your own sugarcane plantation. So I would like to -- it doesn't make sense because I always understood that in this period of crisis that the industry has been suffering. Part of the problem I thought was because of the small sugarcane producer to have very small productivity. So I'd like to hear your opinion.

Regarding the refinery, my question is going back a little bit. Under the Raízen point of view, to buy a refinery, why does it make sense? Because you believe that you can run the refinery in a better -- I mean you only touched on this, is going to have a different output? Or do you think that it makes sense in the integration with your business with trading, distribution, the origination of the product to take it to the petrol station. Is it because the manager will be better or because the integrated business will make more sense for Raízen? I think I would like to hear your opinion.

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**Filipe Affonso Ferreira** - Cosan Limited - CEO of Moove

Right. What we see here in some regions, some have scale in some regions, they have a different system of logic because they are owners of the land and they have better productivity. So our strategy is, where it's going to make sense outsource, we will outsource, yes. Well, our in-house discussion is, what is the minimum and optimum size that we should have at our disposal or of the control of the agricultural industry in our hands. So you can't just sort of look at it from outside. If you go to the state of Mato Grosso do Sul, which is the south one, there's a lot of people there, but less. But if you go like to Piracicaba in the state of São Paulo, there's a lot of people working there with very good productivity. They have very good people -- prepared people. Each mill has a different profile with different qualities, and we are outsourcing, yes. What we're putting in the hands of one supplier that can give him scale and that he can operate better, we will do so. So we have a complete review of our portfolio. Sometimes we're increasing our agriculture part, others we're reducing. It's something strategic. It's not only one direction of 50%. No. We don't have a magic number. It depends. It depends the moment that, that mill is experiencing. And this is being done by (inaudible) and he has been doing excellent work.

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**Luis Henrique Guimaraes**

Well, I think it's important to say everything is based on segmentation. We don't believe in unique only one solution for our problems. So we have a portfolio of B2B customers which are different from the rest of the industries. We have a portfolio of dealers that is different than the rest. The capacity and the quality of the team in each one of the business is important. This is why we have 4 regional managers for Retail because the north of Brazil and the south is so very different. So it's the same thing, we are segmenting our businesses more and more to understand the drivers, people, headcount so that we can optimize and be more efficient than the competition.

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**Filipe Affonso Ferreira** - Cosan Limited - CEO of Moove

And the answer to, in my personal opinion is, the refining is not changing the way Petrobras works with their pricing system. I think they do a good job. They have good people there. I think the value is in integration.

Now how can we participate in this process or not, let's say, with -- but have more integration? Well, let me repeat this. I think that whoever is going to have the refinery, if this is going to be -- things are going to change in terms of fuel because what we're looking at the refining is the trading than the biofuel. They're going to be benefited -- beneficiaries anyway because we're going to have a private use of the refinery. There is not much difference at the moment to Petrobras to a big player like us. Whoever is going to have the refinery, do the refining, they're going to have a different outlook. For me, the benefit is, "how can you use a different machine to be able to import more or to be able to change the diet of the refinery." I don't think this is an operational gain. You're going to reduce operational cost, and it's going to be a mix as to how you operate the mill. The important thing is how to operate and work different. I don't think the upside is in cost reduction. This is my opinion.

**Paula Kovarsky** - *Cosan Limited - Head of IR*

Another question in the back.

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**Isabella Simonato** - *BofA Merrill Lynch, Research Division - VP*

Isabella from the Bank of America. I think both my questions are long term. I think we're seeing 2 very important changes in the world. First of all, India, thinking of an important blend of ethanol in their gasoline.

And the second one here in Brazil using corn ethanol. I think we see that there is an expansion in this industry and is very relevant. I would like to hear your opinion on these 2. Using corn ethanol or what is your intention? Do you want to participate as producers or how is this going to affect the price dynamics in the future?

Now regarding India, what is the true possibility of this business? And how is this going to change the sugar price going forward?

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**Luis Henrique Guimaraes**

Well, let me talk about India because he has just come back. Well, I went for Carnival holidays to India to talk about ethanol, private joke he says. Well, the current government has an enormous advantage in terms of ideology to understand that the external agenda, the foreign agenda is very important for this country, especially a commodity producers such as us. Markets and agreements are so important and Brazil started off very well with India because we did 2 things. We put, right at the outset in the World Trade Organization, the subsidies. This put on strong lights went off, saying we are not joking. We want to give you support to have the success that we have because they have a problem. This is more important than anything else, which is the pollution in the big cities in India. They have to do something. São Paulo now, I think it's about 18 particulates and it was 188 in New Delhi. Can you imagine with respiratory issues, every year, they have problems, lung problems, breathing problems. So pollution, it's public health. They have now understood they have to do something about it. And they have to see what they're going to do with their sugar surplus. They're going to produce more. I think India is going to oscillate between 26 and 30 than 20, 26. So they have to give and use to this CTR. And they also -- they don't have -- they don't produce any oil, but they have 3 mega government-owned companies. So everything is set up to happen. They have a lot of bureaucracy. It's a complex country. But India is certainly -- government woke up to this pollution issue. We talked a lot about this, and I think they understood. If you're a sugar producer anywhere in the world, we have an enormous share in the food chain. Sugar is highly competitive with a high market share in terms of market. Very low production in terms of fuel. They are giant in the world with a lot of pressure to reduce emissions to improve the air condition in the big cities in India and zero share in terms of chemicals. So this -- all this is going to happen in India. So this is a market share. It's the expansion of the market base more accessible for the green carbon molecules, which are those that produce sugarcane in Brazil, India or Pakistan. It's -- I went to Pakistan and Thailand, and they all understood that it is a solution for this to increase radically the supply of ethanol in this market. It's going to take some time, but it will happen. So my vision is very positive regarding this.

Well, about the corn ethanol, we did a very detailed study to see how we can fit in this chain. We think that corn ethanol is here to stay. One thing that I don't like about it is the mismatching of the price of the corn with the commodity price. If you take the sugarcane commodity, when we buy sugarcane from the leasing of the land, everything is tied to the price of ethanol. Now in corn, there is a mismatching. So the price of corn is BRL 40 in Mato Grosso, for example, we have defined that it -- decided that in Raízen we're going to be involved in logistics. So we're going to be the biggest offtaker in Mato Grosso for corn. We are based on a very efficient logistics to pick up the product there and to -- use -- in the use of diesel. So yes, we're going to participate in this market in the sale, but not in production. When I went to the state of Mato Grosso, I would say that I saw that the investment in this -- if you want a mill in this region, you can have a better margin, but there is no entry barriers. If I want to set up a new mill, a new plant, start working with corn, ethanol, well, you just have to have a new company setup. It's not like sugarcane. So I did not see a big advantage for Raízen to verticalize corn ethanol. But yes, we're going to participate in the logistics in trading, yes.



**Paula Kovarsky** - *Cosan Limited - Head of IR*

Well, I think we've run out of time for our Q&A. Thank you very much, all of you, and we're now going to continue with the second panel, and now we're going to have the Rumo presentation.(presentation)

## PRESENTATION

**João Alberto Fernandez de Abreu** - *Raízen Energia S.A. - COO and Member of the Executive Officers Board*

And now we're going to talk about Rumo. My introduction is just to say we're going to split this presentation into: first, we will be recapping our investment assumptions, what sustains our long-term view, what sustains our investment. And then we'll talk about the how, our strategic leverages, our priorities in order to deliver on our plan and to achieve our long-term vision. So let me revisit, what I have called, our investment thesis.

At times of turbulence, such as what we've seen at the beginning of the year with lots of volatility, we know that when we look to the long term, we see that the world will continue to consume products grown in Brazil. The Brazilian agribusiness chain will continue to increase its share in the global demand, which is also growing. And I like this piece of data. If I go back a few years to 2017, this world demanded 300 million tonnes, and Brazil only contributed with 97 million tonnes. So in the global trade, it's only 34%. We concluded 2019 with 37% global market share. And I've already put down 40% because this will happen in the very short term. Now I have no doubt that Brazil will be responsible for half of the global trading because this demand continues to increase, and that's the beauty of this business. In a country where productivity continues to increase, Brazilian growers are highly capitalized, which is extremely important. Brazilian farmers have never been as able to invest and to continue to have productivity gains. Growers' money is their fertilizer in order to continue to invest, to continue to grow. And we need to have fully reliable logistics in order to support this growth.

I love the corn story. I don't know if you know, but let's go back 10 years, 2009, Brazil exported 4 million tonnes of corn. Last year, 2019, we exported 40 million tonnes. It's a tenfold growth in 10 years. That is the magnitude of the agribusiness potential. Now what is Rumo's potential within this scenario, this volume that is being exported? Let's look at grains. We are responsible for 26% of everything that leaves Brazil. This is our current network. We either take part or will take part in 6 of the largest producing states in Brazil when we talk about agricultural exports, Mato Grosso, Paraná, Rio Grande do Sul, and we will be entering Goiás and Mato Grosso do Sul in São Paulo. These 6 states account for 80% of the agricultural exports from Brazil. So we have everything it takes to increase our share in exports in a business that will continue to grow globally. So that's our assumption. That is our thesis. I won't put a time on it, but we want to have more than 1/3 of Brazil's exports, everything growing through our railroads, railways and assets.

I'm revisiting data you're already familiar with. Just to recap our long-term vision thesis. And in order to get there, we have priorities. I'm going to talk about our strategic leverages. I'm going to talk about growth, efficiency. A lot has been done, but this journey has no end. I'm going to talk about customers and people.

Let's talk about growth first. The first chapter is our operation in the North. When we look at this operation, it is full, it is complete. This is the Rondonópolis expansion, which is taking place right now. We started last year, 70% of the works have been concluded. This is a short-term investment that will allow us to increase capacity at this terminal, which is already the biggest in Latin America by 50%. So we have tactics. We'll have more lines or have everything it takes to absorb the growth that is taking place there. And we also have an expansion plan for the North of Mato Grosso. This was the Sorriso Project. We've only changed the name. It is now called Lucas do Rio Verde project. And this is NPV. We'll be able to reduce investments with no impact on the volume. Our project now has a stop in Nova Mutum, and then it goes to Lucas do Rio Verde.

So what are we working on while the regulatory framework evolves? We've bought the land, 750 hectares, this is 29 kilometers from Nova Mutum, to make investments, to build our terminal. All environmental licenses have been requested. It takes 18 months between requesting them and concluding the process. So we started in August last year. And engineering and regulatory effects have been moving forward. So we're concluding the São Paulo network renewal, and then we will be fully focused on the regulatory affairs and the expansion of our operation in the north.



Now our operation in the south. I don't know if you noticed that at the end of last year, we signed an agreement with the State Government of Paraná. So we will stop having mutual transportation because we weren't able to go with our railcars in those 250 kilometers from Guarapuava to Cascavel. We had to use their local operation, which wasn't efficient. So now we signed a new agreement that will allow us to reduce cycle time because now it takes 8x to cover that area to get to Paranaguá, and we will reduce that time by 50%, 4 days. So that will allow us to increase capacity, and we'll be more able to access the market in the west of Paraná.

Now [Rocky], the VP for the area is here. He did record results last year. It was BRL 600 million operation worth of EBITDA. And in this region, which is a huge production pocket, we only have 10% market share. It's very far, so railroad should be more competitive there, but we are unable to have the right market share because of efficiency issues. So this market has 8 million tonnes, and right now, we're transporting 0.5 million tonnes. So huge potential, new geography and huge market share gain potentials in this region.

Now our central operation, new geography, Goiás, top-producing state, 13 million tonnes for the next 10 years. This is a very conservative scenario, but it's equivalent to other regions. It can double in size. Once again, we have zero share here. And works are ongoing full steam ahead. We are on track. We'll have close to 2,000 people working there. And in March, we'll start working on the land leveling at the terminal. This will be the Rio Verde terminal, which will be Goiás' Rondonópolis. So we have the land. The project is ready. We're beginning to move earth, and we have everything it takes to start operations on track. Obviously, it will be burning cash. CapEx by 2021, we will be up and running in this region with huge potential. What's interesting as well in the central operation, just like we have in the north and in the south, we'll have operations and sales here. Huge synergy like in the rest of the company because the back office, the infrastructure, HR, legal, shared services, everything will be ready and will help dilute costs in the operation of this business.

Now still on growth. We love this container operation, which has been growing at high rates, 20% to 25%, and will continue to grow at the same pace and showing profits based on scale. 85,000 containers transported last year, over 100,000 this year. This is our double-stack railcar, which increases our scale by more than 40% and increases efficiency as well, transporting much larger volumes on the same trains. And as we can see, profits are reacting and huge potential for the mid- to the long term. Huge opportunities to continue to grow in an area with massive cargo diversification. And the local market is interesting here as well. We've made progress not only in exports but also holdbacks. If you look at Sumaré Rondonópolis return cargos account for over 50% backhauls. And when you look at the our central operation, again, double-stack -- full double-stack operation. It's practically like a new business in terms of potential in the same region. You can practically double the size of your business in the region.

Still on growth. It's not just about new geographies, it's not just about larger market shares, we also have huge opportunities here in cargo diversification.

Pulp should double production in the next 5 years with the pipeline projects, and our share is still quite small. So in the next 3 to 4 years, we'll have about 16 million, 17 million tonnes worth of business where we operate. We are only transporting 3.5 million tonnes, fertilizers, pulp. Next year, we'll have a new square here, cotton. So many different products with huge opportunities to increase our market share so that we can continue to increase volume, increase share in grains, in geography and also different types of cargos with bigger market shares.

This shows our growth initiatives. There is another key element here which drives our competitiveness, efficiency gains, which turns into more oxygen, a second win so that we can gain access to more markets.

Cost, over the last few years, we've practically operated with the same fixed costs. Júlio Fontana is here. He knows. He's done some amazing work in terms of efficiency increase, cost reduction, energy efficiency gains. 18% less fuel consumption in the last 3 years. Last year, again, 6% reduction. And this is not the end. We still have a long way to go. 2020, we'll see the intense implementation of our trip optimizer semi-autonomous train. We'll still have an operator, just in case, making sure that there aren't any problems. But this is an algorithm that learns and reduces cost. So we'll be reducing another 5% because of this technology which has already been installed in 120 locomotives, and we'll be rolling that out to our entire fleet over the next 2 years.



Double-stack railcars. This year, we'll probably have a 53 feet container on the second floor instead of 40. So even more efficiency gains. In 2021, 120 railcar trains. So not only cost gains, energy efficiency and also capacity increases. You'll be replacing 380 railcars by 220 railcars. So more volume without having to invest. So this efficiency journey covers 2021 and what happens in 2022. This is a project with huge potential.

AI, using AI within our processes. Trip optimizer is only the first stage. Artificial intelligence helping to drive the train. But then we're going to use AI in our yards. We have over 50 yards. So you can imagine with all the crossovers, 10 trains coming up from the south, another 10 trains going down. If you multiply that by the number of yards, the algorithms, the intelligence needed to make sure machines can do that instead of us, this is crucial. And will bring even more gains. Network optimization, yard optimization and locomotive driving optimization. When you add those 3 things, you have huge potential for gains. So as time goes by, we will clearly have machines taking over those decisions and people working as a backup. So these are ongoing projects, and huge potentials for longer downtime, 50% of our operations with downtime due to the crossovers and all the issues we have on the lines.

Growing our geographies, increasing the number of customers, increasing market share, diversifying cargoes, our relationship with our customers is changing. It will have to become even more sophisticated. We have new kinds of cargo. We're going into new geographies. Our investment partnerships are becoming increasingly more present and being discussed. We have business with trading companies, co-ops, the industry itself. Growers, farmers are increasing scale. They also want to do business directly with us. So very broad perspective that forces us to have a more in-depth understanding of the value chain of each of the products we work with. So it is key that we continue to invest in understanding these customers, getting to know them better, getting to know markets better, having more data, mining that data so that we can have more intelligence, having a more sophisticated pricing policy. This relationship and value creation in the process of growth, together with customers, is a need. It's here, it's now and it's very clearly needed if we want to grow with our customers. And a growing company is a company that will need new competencies, new skills. This company has a fantastic project. It's very appealing, very attractive to talent. So we are also focusing on people. We're talking about growing, about a need for new skills -- different skills and increasing visibility for this new project. We have the opportunity to take part in a transformational project in logistics in Brazil. And that is also transformational for talent who want to develop their skills. Another important opportunity for us.

Our ESG agenda is a natural part of our project. We take part in different methodologies. We are CDP participants. We are audited based on our annual metrics. We reduced our emissions by 7% last year. We're still working hard on that. It's very natural for us. And there is another chapter that makes us very proud, which is safety. Rumo had 0.3 (sic) [0.13] LTIF rates in 2019, and that is the benchmark in the industry. It's also a worldwide benchmark for any industry, for any company. We heard in the previous presentations about fuel distribution, oil and gas. Rumo's safety figures are a definite benchmark for any industry. And it's interesting to see that companies can only deliver on safety at these levels with a great deal of discipline when executing on their projects and operations. So this figure goes to show how the company has progressed in terms of operating efficiency.

This is our guidance. 3 main elements here. First, the guidance hasn't changed when compared to last year, same figures. The only difference is that we're starting from 2019 figures. Our CapEx is absorbing investments. Heavy pre-operation investments in our central network. About BRL 1 billion that are being absorbed within our guidance, and we haven't added the benefits that will come from our central network to the EBITDA. We will be making more investments. And when operations are up and running, we shall measure it and then get actual results. So that's our guidance for 2023.

In conclusion, once again, safety is our license to operate. It is one of our values, it's part of our everyday life. We are committed to that cause. And it's an opportunity to change logistics in Brazil. We want to build value in a growing company, a company that grows with its customers. High operating efficiency is what drives our growth because lower costs make us competitive and helps us to grow. And we have an ambitious investment plan and the discipline to invest that capital so that we can provide high return to our shareholders with capital discipline.

Thank you.

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**Paula Kovarsky** - *Cosan Limited - Head of IR*

Any questions?

## QUESTIONS AND ANSWERS

**Felipe Vinagre** - *Crédit Suisse AG, Research Division - Head of the Latin America Transportation and Capital Goods*

I'm Felipe from Crédit Suisse. I have a question about sales. If we look 5 years ago, you had to gain market share on trucks going up to Santos, going down to Paranaguá. You have delivered on that. Now looking forward, perhaps your new challenge will be bigger than what you had in the last 5 years. And since last year, we've been hearing a lot about commercial differentiation in the different regions of Mato Grosso as a strategy -- a pricing strategy. So more price where you're stronger, less where you're not as strong. So what's been happening? What happened last year, for instance? Is that a reality? Are there any implementation challenges? And how do you see this looking forward? And the BR-163 has no tolls yet. So that has brought some competitiveness to your competitors in the north, perhaps a challenge in the short term, more stability in the long term. So what are your challenges in that sense? And how is the company positioned to change that dynamics because you didn't have any commercial complaints or you weren't focusing on the commercial aspect of things in the past 5 years? So now you're going to have to change that. And I have a second question. I'll wait for your answer.

**João Alberto Fernandez de Abreu** - *Raízen Energia S.A. - COO and Member of the Executive Officers Board*

Well, you have 3 questions in your first question so. There has been no change in our sales strategy and our commercial strategy. It's very clear. I'm talking about the 163. But generally speaking, what we're saying is that in a dynamic market it is key to have access to more information. So what we're working on is having more market intelligence so that we can have access to more data so that we can make more informed decisions in terms of politics, policies and regions.

You mentioned Mato Grosso. We had been working on Mato Grosso before and we have continued to work on that. And over time, we should have access to more information so that we can make better decisions -- better informed decisions. No changes there.

And as for 163, once it's been paved, it will bring in more competitiveness to the region in the short term. To me, the 163 in the short-term means having an area that will allow truck drivers to cover 8 trips rather than 4 in the same period. So more competitiveness. In the mid-term, we mustn't forget that there were 34 million tonnes in the north last year. Total capacity is for 40 million. So in the short to the mid-term, capacity levels are coming very close to their limit. And Mato Grosso is growing. We know that it will continue to grow. As you've said, there is a concession. There will be new tolls weighing of trucks and cargo. That is part of the natural concession process on that motorway. And when freight costs go down -- I mean it goes up or goes down going up and goes down coming down. We do have a significant fleet. Perhaps it has gone down more going up rather than coming down for the time being. But I have been going to Mato Grosso frequently. Let me share my view for the long term. Brazil needs both solutions. We have BR-163. We have Arco Norte. And growers, producers, farmers are highly capitalized. They can see both solutions. Ours still has a lot of room for growth going south. We have 40 million at the moment. There is 160 million in terms of total capacity. So we'll get our second wind, and we want a virtuous circle. Producers will continue to grow. They will continue to invest. There will be cargo for everyone. I don't see any major changes in our commercial strategy. And 163 will drive our efficiency gains, competitiveness gains and market share increases. If you look at our figures for February, you'll see that we've grown more than the market average. That's the data speaking.

**Felipe Vinagre** - *Crédit Suisse AG, Research Division - Head of the Latin America Transportation and Capital Goods*

I have a simpler question about operations. At the Port of Santos, do you see any bottlenecks in terms of capacity in the long term, not in the short term. You have more capacity in Rondonópolis. You have the 120 railcar train. You have transshipment. You have other solutions. You'll be more efficient. But the Port of Santos, especially on the right margin, how will you be unloading 120 railcar train? And up to how much cargo can the Port of Santos take not only considering the north, the north-south and the Goiás networks where you'll be growing?



**João Alberto Fernandez de Abreu** - *Raízen Energia S.A. - COO and Member of the Executive Officers Board*

The Port of Santos is crucial. And it's a maximum priority in all of our analysis, all of our assessments and projects. There are many options that we're looking into. Obviously, we're doing all of that internally. We have Plan A, Plan B, Plan C, Plan D short-term investments that are being made on roads, level crossings so that we have better conditions, both -- on both margins at the Port of Santos. But when we look at the whole growing process, we're looking at investments. We're investing in the Rondonópolis terminal, the north-south terminals. We know that those figures will go down in the São Paulo network. We'll also start investing investments that have been mapped for the renewal and the Port of Santos. We're looking into tens of projects. We have partners for some of these projects. Anyway, we're looking into all of those options internally. As for bottlenecks, we have 2 to 3 years to increase capacity. So we have room for maneuver. We have time enough to operate efficiently. And these projects, which are up and running now, and some are for the long term, will be going into operation in the mid- to the long term.

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**Unidentified Analyst**

My name is Lucas from the BTG Pactual Bank. I have 2 questions here. First, you just mentioned that it's Lucas do Rio Verde project. Can you anticipate and tell us what is going to be the structure of this new project? There is also the São Paulo network that has to be concluded. Is this a new bid? Are you going to fit this in like an authorization that this new law is being discussed at Congress? What would be this new model so that we -- could you shed some light?

The second question, I think, would be interesting to hear from you, Beto. There is a lot of rumors about coronavirus and how this is going to impact demand. This has been the subject people talk about all the time. So what have you seen changes in demand for soya shipments? Do you think there is going to be a gap in exports? Have you already noticed, for example, that there has been a delay of ships in Santo? I think I'd like to hear your opinion.

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**João Alberto Fernandez de Abreu** - *Raízen Energia S.A. - COO and Member of the Executive Officers Board*

Well, you mentioned we're going to close the Paulista process. We have a preference for the contract. Now we're going to change the batteries to go into this process of expansion. I cannot go into details right now, but the alternatives are the ones that you mentioned.

Now regarding coronavirus, or COVID-19, well, to tell you truthfully, we haven't felt any impact in the soya shipment. If you see the lineup at the Santos Port, the lineup at the boat is quite robust. We have an enormous amount of soya to be shipped. What we're doing is we are monitoring the crushing of soya in China. This is -- we can see what the market is like in China. We have an expectation that China will import 90 million tonnes of the 150 million that the whole world imports. Brazil will participate in 73 million, 74 million, very similar to our numbers last year. So in February, when they extended the holidays, you saw crushing go down to zero and a delay in shipments of the containers in the -- from the Chinese ports. Well, another way that we could analyze this issue is once more, until now, we have not seen any important impact regarding this subject. This is what I can say. The lineup is okay. Soya crushing after the Chinese holidays went back to the original levels. And what the other we're seeing is that there is going to be a drop in GDP. When you start putting 1% in the drop of GDP, the impact of this in the consumption of protein and soya, it's like 350 million tonnes, but it's not really relevant this number, is it? So meanwhile, we're keeping an eye, we're controlling, keeping an eye, but we have not felt an impact yet.

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**Unidentified Participant**

My name is [Dalmo]. I am from the BNDES, Development Bank of Brazil. You talked about the investments of BRL 3 billion a year. So could you give us some detail because one part is recurrent investment and the part of expansion which should be BRL 2 billion a year. So could you detail what is the north network, south, east and west? And also, what percentage is rolling material, trains?

**João Alberto Fernandez de Abreu** - *Raízen Energia S.A. - COO and Member of the Executive Officers Board*

Well, first of all, I'm going to talk about what is recurrent. We work with BRL 1.1 billion of recurring CapEx. So when you take the investment until 2023, this is the amount of investment, BRL 1.1 billion. I can tell you that what is included in the central network is about BRL 700 million that we caused operational CapEx, which is to support the structure to put it on its feet.

Now the north of Brazil's network is it's 90% of expansion CapEx. So we are still working on one terminal with the 120 train that demands important investments in yards. Most of the expansion CapEx is concentrated on this operation. So these are the main numbers. And let us say that the coming 2, 3 years, we can add BRL 1 billion in trains. So it follows our guidance more or less?

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**Paula Kovarsky** - *Cosan Limited - Head of IR*

Right. Well, let us end logistics and let's go to the third panel. The third panel will talk about natural gas, and we will close with a holding presentation. Thank you very much for your presentation.

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## PRESENTATION

**Rubens Ometto Silveira de Mello** - *Companhia de Gás de São Paulo - COMGÁS - Chairman of the Board*

Good morning, everyone. It's a pleasure to be here with you to speak about natural gas. My presentation here is going to be a little bit longer than normally because we're going to approach 3 topics, which are on your screen.

Each one, I will dedicate 10 minutes. Comgás, our results until here, we're going to talk about the regulatory plan, which has been approved going forward, so I'll speak about the future. And I would also like to talk about all this transformation that is happening in the gas and power market, and what are the opportunities that we can see coming from this movement. And finally, letters in the third block, talk about our strategy regarding all these opportunities.

So let us begin with Comgás company and say, what is really important. What is important? I would talk about safety first. Well, 2019 is a year where, once more, we had excellent safety results. We have been acknowledging the last 11 years, and last year was not different by either the American Gas Association. We are the global benchmark in safety for the Americas and once more in 2019 we hit this number, which called the attention of AGA. So 11 years, we have received -- been receiving this award.

What has been the Comgás journey since Cosan acquires Comgás in 2012? Well, we went through some relevant years. We had important activities. For example, in 2014, we had the delay in our tariff review cycle, and this generated a lot of discussion in our meetings. In 2016, this was a year in which we decided to change our strategic repositioning of going to the client. We repositioned the way of dealing with the client -- dealing with a network saturation, much more than the construction of a new network, and now we focus a lot more on the customer. We want to focus on the customer that has more volume and more -- gives us more profitability. And this did give us results, which I will show you in the coming results.

2017 was when Cosan acquires Shell stake. This was almost 17%. And 2018 was a year marked by a lot of progress in the elimination of all our legal disputes with Petrobras. And due to this, and with this, we were able to renew all our gas supply agreements for another 10 years.

2019 was also a very intense year. We concluded our tariff revision, review. We approved a capital reduction in the amount of BRL 1.5 billion and then we did the 2 opus for ON and PN. So the tender offer in the end, we ended with Cosan's ownership obtaining 99%.

During this journey, we distributed BRL 6.3 billion in dividends paid since the acquisition, reducing the BRL 5 billion in capital reduction. Now speaking more about results. Now, speaking about results, you see that CapEx last year is also -- it mirrors the approval of our tariff review. So as you can see, you will see in the coming -- in the following slides, our regulatory plan foresee this level of CapEx investments. Over the coming years, we will keep the same level of BRL 900 million.

Like the previous years, we have connected to the customers. In 2019, we connected more with the customers, achieving 17,000 kilometers in our network. The volume we've been recovering from the crisis, the total volume has been growing modestly, but this part on the graph, on the left side, that you see that is on your left, which is residential volume. This has been growing consistently, and this is the result of our repositioning that I just mentioned that we had in 2016. The result of this is that our margin, you can see, if you look at the first slide, where there is a white part, the margin for residential use has increased over the last 5 years, we practically doubled our growth level in residential and commercial.

Now the middle chart, it's growing and a normalized growth -- EBITDA always growing, going to BRL 2.2 million. Now the leverage is always around onefold EBITDA with a peak last year of 1.4x, much due to the payment of dividends and capital reduction.

The last slide -- the last bar chart on the right-hand side, we see the net income and dividends payment, and this mirrors the reserves in profit of the previous year's 2019. Last year, we paid BRL 2 billion dividends to the shareholder.

Now going forward, what do we have? This is exactly what was approved by the regulatory agency in our regulatory plan for 2024. So what do we have in terms of CapEx? In the last cycle, the investment was almost BRL 2 billion and next cycle BRL 4.4 million. We must remember that due to the delay in the review, the first cycle, the cycle that was previous to 2014 to '18 was a 4-year cycle. The next one was a 6-year cycle. So even so, I think it's a substantial increase of CapEx investment in the next cycles.

So if we look at the end of 2024, we imagine that 2,000,700 customers, 22 million kilometers in network and 5 billion metric -- cubic meters in gas in our network. So this is a regulatory plan that we find approved by the regulatory agency and by the state of São Paulo.

Now a summary of Comgás. Well, it's a value creation since the acquisition in the late -- the past 6, 7 years, distributing in paid dividends, almost BRL 8 billion for the shareholders. A consistent growth because we have foreseen or rather that concludes this cycle with more than 2 million customers in our basin, and 17,000 kilometers of network, proven strategic positioning that has worked and has resulted in operational and financial results that are very consistent. And finally, the conclusion of the tariff review cycle, which opens a new road for growth for this concession. Well, so here, we close the first block. Now we're going to talk about opportunities.

Let us talk about the transformation of natural gas and power is undergoing, not at the moment, but mainly in the whole world, but mainly here in Brazil. The first graph table on the left, you see the share of gas in the matrix in energy and electricity, which is the second line with white and yellow bars. So you can see that around the world, this gas share has increased enormously, and Brazil -- in Brazil that has not been different, but we still see that we have a lot of room for growth.

Now what must happen for us to grow? Well, what was the main driver of this transformation in other markets? Well, that's the middle table. In the horizontal axle, we see the gas share in the matrix and each one of those countries represented with little circles with the flags and then the cost of gas in dollars, by millions of BTUs. So European countries, for example, Portugal, Spain, Germany, that have a level of competitiveness and the price of natural gas, which is \$9, \$10 for 1 BTU. So the share in the energy matrix of these countries is around 20%, 25%. And then there's some extremes where the molecule price, \$13 per million BTUs, with a share of \$10, \$11, \$12, depending on the source, of gas, participating in the energy matrix.

And the other extreme is the U.S.A., they are far more competitive. And the gas in the energy matrix has been gaining share, it has been expanding year after year.

Now what about LNG? Well, the demand has increased and also the cost of LNG, the mobility of LNG is also more and more competitive. The reality of this is that we see a convergence of G&L -- of LNG and the rest of the world with the most competitive price, which is in the U.S. today. All these transformations we see happening. What about Brazil? What should we see happening here? Well, first of all, the net offer of natural gas should also grow. Everything happens in this direction with small variations. What I show you is the net supply.

So this is all the net production of natural gas. So what we see is that all this comes in a growing curve with a perspective of growth, mainly focused on the past years beginning in [26] and with the new gas reserves in the pre-salt. This is something that will happen. This is another component in this transformation. We have only one supplier of natural gas, although several produced but Petrobras is still the one that purchases all the gas

at the well and resells this to the market. So the trend that we're going to see in the coming slides, is that this is going to change going forward and that we're going to have multiple and independent suppliers from here onwards.

Now only production is not sufficient. We need more infrastructure to make all this production arrive to the continent. So on your left, what do I show you? I show you the pre-salt net production. It is not for the country, as in the previous slide. This is the pre-salt net production from '24 -- 2024 to 2030. The yellow line, straight line in the middle is the capacity of the existing capacities, routes 1 and 2, and we've added the third route, which will start operating next year.

So what do we see? We see that around 2027, we are going to need another outflow route. So '27 is going to be the year a little bit before or a little bit later, but forecast show that this will be 2027. On the right-hand side of this slide, what do we have, in yellow are the transportation and distribution gas pipelines, it has not grown, but there is an idle capacity. In gray, we see the growth of the distribution networks. What we see in dark gray is the whole market without Comgás and in pale gray, what Comgás has grown in the past years. So you've seen the Comgás has grown much more than the market.

Exclude -- talking about other concessionaires, excluding Comgás and half of the existing network in the country is here in Comgás. So what do we see? On the left side of the slide, we see that there is an investment necessity until '27 on the right-hand side, an opportunity -- an investment opportunity in the coming years.

Now it's not only the infrastructure that we need. We also need to change our regulation. This is happening. It is happening in the right direction, in the energy and the gas industry. Now why did we show both of them here? Because there is more and more integration between gas and electric energy. So what we are going to see happen in the natural gas is a proxy of what happened 15 years ago in the electric market. So what is happening, for example, in terms of updating in electric power? First of all, the reduction of access to the free market, the person to be totally free market would need a very, very high volume, and this is being brought down. Improvement of the energy auctions, improved bidding process and what we do not have in Brazil is the development of financial products of power -- in the power market. What do we see? Of the 66 giga was consumed in the 2019, 20 giga were in the free market.

So what do we imagine, if this grows with the growth of the country in the coming 10 years, we might attain 84 giga of consumption. Now with the reduction, if we add it to the growth according to the GDP, we imagine that this free market will -- can be double of 42 giga in average. So there is -- we will have a free market 10 years from now, between 30% that we have now. If nothing changes, or until 50%.

So there is a possibility of growth in the free market. Now what about the new gas market? Well, it's more radical, because gas is like 15 years delayed as compared to electric power. So now we have access to infrastructure. This is just something that is in the beginning. So through a resolution -- government resolution, now they're promoting the discussion of access to infrastructure to have a promotion of competitiveness in free market, improved regulation, especially federal regulation with ANP regarding transport pipelines, units of outflow pipelines and also the resolution foresees the integration of power natural gas sectors.

So what do we see in terms of volume? Currently, if we look at the gas market consumption in the distributors, in 2019 is 40 million cubic meters a day. If we use the same accounting system for the GDP, we will come to 43 million -- 53 million. So in 10 years, the gas will evolve as the electric power market. We will have 30% of the market of natural gas 10 years from now and also in the free market, so that's 16 million of cubic meters a day, which is like 1.5x Comgás in the free market.

Now the orange circles are the regulations of the -- government regulations. So this is also going in the right direction, which is the cease and desist agreement. And so -- and the ANP is the government agency. So what is the picture we have for 2019 or for 20 -- excuse me, 2029 in terms of potential offer. Well, we have the net pre-salt which are 180 national net production, which is according to the first graph that I showed you, the first table. The import capacity from Bolivia is 30 million cubic meters a day and an existing of the regas thermal capacity of LNG, which we know that for 2019, our demand was between the distributor, another 78 million of cubic meters. We have a growth potential of twofold for the coming 10 years. And the natural gas, the higher gas price competitiveness, it might sort of open to new investments of all sorts.



First of all, we might have more investment in thermal investment. It will recover the industrial growth. Other energy sources like automotive natural gas for engines of high-performance engines. Attraction of gas incentives is industries, such as petrochemicals and chemicals and fertilizers. So yes, there is a potential of a demand creation and a value creation behind all this.

So in summary, what we have seen here is that this gas supply is growing, will continue to be growing, and this incentive is an incentive to competitiveness and also liquidity -- market liquidity. Secondly, access guarantee to new investments which is fundamental. If we did not have access guaranteeing, if we did not have new investments in infrastructure, there's no way we can connect supply and demand. Regulatory changes is that they are in the right direction and they promote free market and the integration of natural gas and electric power.

And finally, the development and the integration between gas and energy, stimulate investments and generates competitiveness and this becomes a virtuous cycle.

Well, so far, what have we seen? We saw what was Comgás and what were the main transformations of this gas and energy. As of now, we're going to look to our strategy. How are we going to look at all these opportunities. And in an isolated way, I'm not bringing you anything really new, but perhaps the way of saying things is that, I think you know that we are looking for an LNG terminal in the city of Santos. We're also making an effort to build another outflow route that will connect -- this will be the route 4.

Cosan also bought a seller of electricity -- of electric power, and there was a recent important factor that was the Comgás. Cosan contributed to -- with Comgás to a new company. So we put together all these assets around natural gas, and we put all these assets and we contributed all these assets for only -- to make only one company, which is going to call Compass, gas and energy. This company will be the vehicle of Cosan to invest in different business opportunities. What are these opportunities? And we're going to look at each one of these opportunities because I think that with this important audience, as important to say what we're going to do and what we're going after, it's important to tell you what we are not going to do, what we're not going to go after. So it'll be very clear, our strategy behind all these new businesses.

So I would like to go one by one into these opportunities. So infrastructure. Infrastructure currently, there are 3 routes for outflow. I already said it's route 1, 2 and 3. And route 3, next year, we'll go into an operation, 15 natural gas processing plants with route 3 next year and 3 regas terminals and the capacity of 47 MMcm. And what has already been approved for the coming years according to the Ministry of Mines and Energy, which are 3 additional routes, 4, 5 and 6 and 4 regas terminals announced where ours is one of these.

What is the characteristic? It is in the Santos area. It has a capacity -- nominal capacity that was licensed in 14 million cubic meters a day, in a value of about BRL 500 million. We have also been worked on this for some time. We have forecasting this in analyzing this possibility since 2015. During the different phases we had to go through it.

Last year, we had sort of the first license prior to the final concession. We can negotiate contracts for supply for this terminal is regasification and also for the terminal. If we're going to be successful by the end of next year, we will begin the construction and begin the year more -- 2 years in this terminal and it will go into operation.

The second initiative in infrastructure, you're aware of this route 4, with the offshore pipeline connecting pre-salt platforms in the Santos Basin to the continent. This is a licensed capacity for 21 million cubic meters a day with an extension of close to 300 kilometers and an estimated cost of about BRL 8 billion.

What we're trying to do here with this investment in infrastructure isn't so much profit, but access to the natural gas molecule at competitive prices. So much, so that the LNG and the route 4 terminal investments, the idea is for the -- to get the gas to the continent. So we won't have to invest 100%, perhaps our share will be 10%, 5%, 20%. We're not quite sure yet, but that will definitely be built with our partners.

Now distribution. This is a snapshot of distribution in Brazil at the moment, 40 million cubic meters a day. 2/3 of that in the southeast, 1/3 of the total is Comgás. So we still have a lot of room for growth when it comes to distribution. And when we look at the country as a whole, we see 27 distribution companies like Comgás, 36,000 kilometers of distribution network, close to half of that is Comgás and about 4 million customers in the whole country, 2.5 million of whom are Comgás.

So what is our objective? In the distribution business at Compass, what we will be doing is guaranteeing that Comgás regulatory plan is implemented and it will selectively add a few privatization opportunities, that will certainly begin to appear soon in Brazil.

Generation. We want to take part in the short opportunities through power auctions and through partners. We don't want to have 100% control of that offering that will be done through partners as well. And in terms of opportunities, according to the Mining and Power Ministry, there is a growth in the installed capacity and as a consequence, in the consumption of electric power in Brazil over the next 2 years. And in the red chart in the middle, we can see that gas field thermal plants should triple their volume. So what we've been doing is we've been looking into this since 2017. And right now, we're ready to start talking to partners, so that from now on, we can start taking part in auctions and testing our competitiveness and our business model.

Trading. On the left-hand side is what's been happening in trading. As I told you, in the free market, last year, 20 gigs were consumed. Now even if 20 gigs are consumed, 4x that were traded. So that's 4.6. So to consume 20 gigs, that means 89 gigs were traded. These were bilateral agreements, cleared by CCE of 4.6x more in terms of turnover. So for 2029, we expect to more than double that because the free market will grow and because the needed volumes will be decreased and looking at other markets, we believe that turnover might go up to 8x. In terms of natural gas, we currently don't have a free market for natural gas. And given all the effort, all the work that's been implemented by the government, by private agents, we imagine that will reach 16 cubic meters a day in 2019.

So what is our strategy to tackle that opportunity? Compass Comercialização that was acquired by Cosan at the end of last year with a few characteristics. It is the seventh independent trader in the country, with close to 900 megs traded in 2019, BRL 1.6 billion in gross revenues. #1, in profits according to [Valero] mill this year.

And what else does Compass add to us? Experience. They were pioneers in opening the electric power market in Brazil. Compass was established when the electric power market began to have its first free customers. So it brings in intelligence to help us follow the same path in trading the first cubic meter of gas in the free market in Brazil. Compass is already authorized to transport and trade natural gas, that permit is in place, and we're ready to start as soon as regulations and access and pipelines and infrastructure is ready for that to happen.

Compass also brings us options, flexibility between gas and power and more importantly, intelligence through integration of gas and electric power customers.

In summary, Compass has an infrastructure model with fixed assets with compensation fees, which gives us access to a competitive molecule. What about our plan for growth? It will be focused on an LNG terminal in Santos and building a fourth outflow route together with partners, also getting to the continent in Santos.

In terms of distribution, our business model is based on regulated assets with network expansion. The biggest investment opportunity is a network expansion, and the value that generates this integrated power company is an increase. In short, we have considerable supply, so if you have a longer short, you'll be better positioned. And the growth will come from Comgás' plans, implementation as well as other distribution companies.

In power generation, we will have power auctions through PPAs in the long-term, again, in terms of value, an increase in short as well as optionality, as you know, thermal power plants are contracted with 50% of their capacity. So the flexibility is embedded and it accounts for more than 50%, and the plan for growth will happen through strategic partnerships so that we can take part in this new business.

Lastly, the business model in trading comes from customer relationship, client relationship and risk management when buying and selling. Power and natural gas, the value that comes from that is market intelligence and the integration of gas and power, clients and diversification of products, both in the electric free market with the potential growth as well as the natural gas market.

Just to clarify, the corporate restructuring of the company so that there are no doubts. As I told you at the start of my presentation, Cosan's assets that have anything to do with gas and power have all been contributed to this new company, Compass gas and power. So Compass gas and power currently controls the São Paulo LNG terminal. We have the route 4 project. We have Comgás. We have power generation projects and Compass Comercialização.



So recapping everything I've said in the past 30 minutes. Comgás has robust and consistent results and regulatory stability will pave the way for growth and new investments. Gas and power markets are undergoing a transition, higher supply will bring more competitiveness and liquidity and all regulatory improvements put forth by the government are on track and in the right direction. Cosan has a track record. We have been consistent on results of delivery and business transformation. And Compass gas and power is a unique combination of assets and talent. With solid cash generation coming from Comgás, high leverage capacity and high-growth potential and value creation. That's all from me. And now we have time for questions. Thank you.

(presentation)

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**Rubens Ometto Silveira de Mello** - *Companhia de Gás de São Paulo - COMGÁS - Chairman of the Board*

Marcelo, and now we will hear from the holding company.

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**Marcelo Eduardo Martins** - *Cosan Limited - CFO, Investors Relations Officer & Director*

Good morning. As usual, I'm here to share the group's financial results with you. I will try to be as brief as possible so that we can finish on time.

This has been a record year for us yet again, and that has been our track record over the last 2 years. Those of you who have been with us for the past 10 years or even longer know that we have consistently sought to improve our results without compromising our other performance metrics.

Year-on-year our priority is to continue to deliver better results. And just like in the past 10 years, we have yet another EBITDA record. Let me just point out that this EBITDA includes one-off impacts, as is the case every year. But at the end of the day, our company has one-offs consistently. Those of you who have been with us for a while, know that one-offs are a recurring thing with us. And our EBITDA in December 2019 was BRL 14 billion, which is a record figure for this group. That does not consider 100% of Raízen's fiscal year because it doesn't end until March. But Raízen's figures should be higher than the figure you see here.

The fact is that we've had an exceptional year. The past 10 years have been based on our main objective to build a robust portfolio. We have always focused on diversifying, reducing risk and allocating capital efficiently. And I think we have been able to achieve our objective in the last 2 years. And I think this is particularly important right now when we are transitioning from Marcos Lutz's leadership at Cosan. Marcos will be talking about that in more detail. But if we look back, we see that during that time, we've had the biggest number of M&As in the history of this company, and that is what allowed us to diversify as much as we did. That is reflected on delivering on our EBITDA consistently based on our guidance, and this year is no exception. We have our guidance for next year, as you know, both for power and logistics. And it's quite a challenge, considering everything that's been happening in the first months of the year. And today, especially with the impact it's had on the market.

So there is some degree of uncertainty, perhaps a high degree of uncertainty. But the fact is that we have been able to put together a portfolio that has been delivering good results in terms of volatility and little growth to our shareholders, and we are very optimistic. We believe that despite the uncertainty and volatility we've seen so far this year, we have been able to deliver results.

In terms of capital structure, you know that we are a capital allocator. We are constantly trying to allocate capital as best as possible. And to that end, it's important to balance leveraging and the company's equity structure. Over time, we've been able to deleverage the company recurrently, and to increase our cash generation.

2019 was a cash generation record. Our net cash position at all group companies has been a record, which not only reveal substantial delivery of robust results, but also a great position to tackle volatility. The refinancing element for all companies of the group has been substantially solved for 2020. A few specific cases will have to be refunded, but we are feeling very secure in terms of cash and the refinancing for companies this year, which will allow us to continue with our strategy to buy back shares as soon as we have the opportunity to.



Return on investment -- invested capital, because that's the value we'd like to measure in terms of value generation, value creation for our companies. It's been a good year with a degree of growth. Raízen in 2019 included the operation in Argentina, as you know, the return on investment capital -- invested capital in Argentina is lower than that in Brazil, but the ROIC is still substantial, considering the situation in Brazil right now. Not only Brazil, but worldwide.

Now if we exclude Argentina, the return on investment capital for Brazil alone would have been higher than it was last year. But it doesn't matter because from now on we will have a consolidated view of Raízen's results. So Brazil will be completely integrated with Argentina because Argentina is now a full time part of our portfolio.

Now looking at our business lines, Cosan S.A. has increased its portfolio, reflecting the previous chart from 11% to 12%. Logistics, again, reflecting Rumo's increased to 9%. And as a consequence, Cosan Limited return on invested capital has also increased. This was the biggest buyback year for the company. That's an important objective for us. So we're buying stock to create value.

During the different presentations, you will have noticed that we have been focusing on growth and pursuing opportunities to create value within our business. Over the past 10 years, Cosan had to put together a robust portfolio, that's why we needed to diversify. Now our focus is no longer as urgently on diversification, which doesn't mean Cosan won't be making other acquisitions. But it undoubtedly means that our focus in order to grow and build value looking forward will be on our businesses. You heard Nelson's presentation, the last one, showing huge opportunities for integration based on an asset that wasn't even considered to be strategic up until 2012.

So as soon as we joined the gas and gas distribution business, we realized that the more value we can build by integrating these assets, the more we will focus on that. So BRL 7.5 billion in terms of stock buying, if we compare that to 2016, when we had Rumo's first follow-on that was BRL 7 billion invested in the group's stock in the past 3 years. So there is no doubt that, that is the best possible investment we could have made. We're very happy with our decision to create value to our shareholders, and that continues to be the case for 2020.

This is a summary of our stock performance, end of February, in light of what's been happening over the past few days. And today, that performance will obviously change. I don't know how much it will change relatively because Bovespa has also been affected. But that goes to show how our stock has been performing, especially in the past year.

Well, that was basically it for me, and I will turn it over to Marcos Lutz. Thank you.

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**Marcos Marinho Lutz** - *Cosan Limited - Vice Chairman & CEO*

Marcelo and Paula asked me to start, by giving you an overview, and my view, of the past 10 years. It's been a fantastic journey. We created a lot of value. And it really came from the inside to the outside. We've created a fantastic company. We've made huge investments and divestments. We built a portfolio based on a great sugar and ethanol company, logistics, power businesses under a leadership that hasn't changed. Rubens, chairing the Board, which made everything much easier, allowed major decisions, risky decisions to be made during that period. And that culture of always going beyond, always questioning, looking for more. And this new project, we're launching here today, Compass, you know Comgás was a great company. It started off well. But everyone started asking questions. Huge cash generation, paying out dividends, BRL 3.5 billion, that would be very natural to just sit on it and let it turn into a cash cow, but that's not our culture.

Our culture is to ask what else can we do? How can we do better? And that culture is what led to the construction of this portfolio, which was built step by step. And when somebody looks in from the outside, it's very hard to see how the culture was built over the years. And how people's mindset changed, added knowledge over the years allowed us to climb one more step within the production change, we were already operating in. So we started in the sugar and ethanol business, but we built around the sugar and ethanol business. We expanded, and that's how we build our current portfolio.

And I think it culminated in this company's climax, which is the ability to be extremely appealing to new talents. The number of CVs and top-level professionals that come to us. Whenever we launch a new project, whenever we start something new, it's a whole new world. The Rumo project,

for instance, a symbolic because we had to set up a team with 80 people, top management people from former LLL and we kept looking for people. It was very rare when we had to bring somebody in from the outside, and they said, no.

The company was going through a tough time, but we had a fantastic project. And we were able to attract all the talent we wanted, we were able to build a team that I think is the best railway team in the world in a few months. People from Canadian Pacific, England Pacific, Kansas City Southern, everyone is impressed with our team, their energy, how young they are, how professional they are. So we have really been able to build a talent powerhouse, both to attract and retain talent at this company. And I think that is Cosan's main asset because yes, we do have excellent operating performance, excellent assets, but what keeps the wheels turning and gives us huge power for growth is our human capital. The people we have, and our ability to attract new people. And again, during that time, we never stopped investing, we never stopped believing in Brazil. We have always looked at our investment considering new opportunities.

So at the end of the day, from 2010 to 2019, there were times when we did invest less, but it had to do much more with investment discipline, capital allocation discipline rather than slowing down and thinking that we didn't need new projects or they wouldn't bring us the return we wanted.

This is the first time we have all these businesses consolidated and our operating excellence based on talent, based on culture. And I always relate these things better, did that. And I love the way he put it.

Loss time injury frequency is the number of incidents where people miss at least 1 day's work divided by 1 million of hours worked. So when we say 0 at Rumo, I think, 2 at Comgás. Comgás -- we're talking about somebody who sprained his ankle on the pavement and couldn't get to work 1 day. That is an LTIF, one of the 2.

So at the end of the day, we're talking about a huge ability to keep processes going because we can avoid this. We -- and by doing that, we can avoid time waste, raw material waste and waste in general.

And the return to shareholders is a consequence of all that. High-quality investments, efficient investments and operational excellence. Under any circumstances, in any scenario, with all the idiosyncrasies in the company, we still had positive financial results.

This is the same chart as Marcelo showed you, but not broken down by company, and the red line represents the GDP, showing they haven't been exactly the best 10 years in Brazil. But even so, we were able to have great results.

Well, now, I would like to say a few more words about this portfolio. Because this is a game, everything is prepared for a marathon and not for a 50-yard race. All these results have a long-term logic. We think a lot about being a valid company. This is how -- a company that adds value. We have an admirable profit. But I think we merit this because we create something that adds value. And I take a little bit of this value to -- for my compensation and the rest for my partner, and my customer for him to be -- build his own business.

So all our businesses have a logic that in the long term, they will have a lot of value as well. So there's nothing here -- I mean we are sort of squeezing out the last drop of the fruit before you discard it because all that's left is the (inaudible). Everything is built and done with a lot of value.

Some things, the value will come more at a longer term. However, everything here has a concept that I consider the main concept for sustainability, which is the current question. Well, can I do the same thing 10 years from now or 20 years from now? Is there something that's going to change dramatically and that will not allow because all of my -- this result because all my customers will go broke or I will not be considered the best partner? But I'm not going to go to the line-to-line, but this is going to remain online for you, if you're interested. But everything here creates a lot of added value to all the industries. And this is very important for you.

Now this is the graph that I always say, "What word defines the strategy of each company?" And these are the same words as last year. Is this exactly Raizen Energy although there's so many new things, although there are so many growth dimensions.

Most have told you about all the biomass being used, all this trading coming to a final point. But the main buzzword for the Raizen Power is efficiency. Efficiency, for instance, is here looking at me but it was that we were after. We sort of tripped on a couple of things, but not in processes. But it's sort of how to do things, but we paid a lot of attention to this. And the efficiency is coming. It is consistent. And sometimes, we make mistakes, but we learn a lot from our mistakes.

Now if we talk about coals and fuels, is very consistent. If you speak to our partners or our dealers or our peers, we do things the same way, with efficiency, improving every single way. So this is what brought us to where we are now. This is how we obtained our market share without any hiccups on the way. And this is how we intend to continue. And this is how we're going to continue working on the OXXO partnership, which is going to become a very relevant business as well.

Now Comgás. Comgás keeps its strategy as a cash generator, but Comgás in itself appears less in this form, and we'll see more and more Compass. Compass has Comgás, but it has a more encompassing view than in this segment. Moove, in its geographical expansion, begins more consistent in the countries that we entered less than 1.5 years ago. Oh, sorry, I wasn't supposed to change slides. Here we go.

And Rumo. Rumo is this growth machine. It's a engine of growth. And from this year onwards, it's going to have the dimension -- commercial dimension, which is very important for its expansion. But there's a whole world of growth because the market for Rumo keeps growing. Even with the coronavirus crisis, people are investing so that Brazil will be more competitive in agriculture. So there is this dimension and the market share itself that we have to grow, which is very, very relevant.

So speaking of growth. So we have this platform. This platform has important dimensions. Now I will say a little bit words -- some words about my transition, because I think Luis Henrique is going to have a very relevant footprint in all this.

Now Raizen, this green integrated energy company, begins to have a moment, which is totally favorable because the world is rediscussing a series of issues. And this new routes that were -- or routes that were chosen in the past and fuels are different, and this integrated company has the muscles it needs that it didn't have in the past and is going to be very, very important. A big player in this industry.

Now Compass, already mentioned here, we are talking here about an enormous transformation in the country in this market. It is something that is mentioned by the minister or the ministers, the Minister of -- our Finance Minister has mentioned this very frequently. But it's something that we experience in our day-to-day. We see a change in regulation. We see pre-salt beginning to happen and expand. This is going to happen.

And there is no midstream. And this gas will have to be placed in the Brazilian market, but it might be a whole new Cosan under Compass, which anchored on the talent and the short term of Comgás, as an enormous opportunity.

Now Moove, there's a consolidated geographical expansion, and we want to have high-performance and also keep growing in our performance.

And Rumo -- well, the whole of Brazil has to have logistic improvement. And the size that -- of the market is -- it brings to the real economy, not only for the big load transporters, but the railway model will be integrated in the Brazilian society as a whole.

Now this is a process that I would like to highlight because I think I only have 2 more slides. I would like to say then, these 10 years, my role and Portela that has been -- Mr. Portela, that is also leaving next month, and Marcelo, who has been with this, we were far more operational.

And the company started creating independence.

Three or 4 years ago, people started talking here, saying here, when we have these meetings, annual ones, that we are sort of portfolio allocation. And it's important as a portfolio manager to say what is Cosan's view regarding the performance of this portfolio. So it's not a performance of the shares of Cosan, but the portfolio that is managed under these companies, 5 companies.

So in practice, we did 7.5x the IBOVESPA, which, as I say, is the reflex of this project. And I always repeat, and I continue to repeat this because it's all based on strategic decisions of M&A. But the main merit was to have a talented group which is -- I mean the winner.

And my last slide, I'm going to invite Luis Henrique, I would like to talk about the headcount and the human capital. And I would like to say something about myself. They say -- people say to me, "Marcos, why are you leaving the company?" Well, in fact, I'm not leaving the company, I'm going to the Board. I will be the Vice President of the Boards of the group, so I will be close, I will be in the company's day-to-day. In fact, every single day in the company because every day I wasn't already present. And in this procedure -- well, I would say that this would be sort of the crowning of the project of leaving the operation and let each business become independent with the freedom to find their own routes, their own way and Cosan be just the controller. But looking closely at the financial models and the -- has its CFOs in the organization, which is the model that was used, adapted -- adopted by Raizen.

And so now, I think that Luis will join this and very mature, without any solution of continuity, continue the company of -- as the Chairman, which Rubens continues to be here, and everything will be preserved.

So in practice, this group of people will continue being here and I -- well, 10 years, I wouldn't say, but I would say that the past 6 years, I have motivated changes in all these companies. So you've seen of Mussa talking about (inaudible) -- of Moove. He's not here because he was with the Vice President of LNG. And you heard Luis Henrique speaking of Comgás and he was speaking about Moove, better that was in Raizen. And now he's in Rumo.

And now -- I mean it was sort of I did all this. I mean, I could never, thinking of coherency, I couldn't say I'm not included in all this. No. This is a natural process. And internally, it comes natural that this -- that my chair will be replaced by somebody else. And I don't have to go anywhere. It's a sort of like musical chairs. I go to the Board, and I will be just as close to the company. And obviously, we'll see what's going to happen. But this group of executives, which is one of the main assets, top assets of our company, there will be a refreshment, sort of a refreshing ideas with new experiences and new information and more knowledge to become more and more robust.

Now Luis, I would like to call you to say a few words. And then we will go to the Q&A. Well, thank you very much, everyone.

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**Luis Henrique Cals de Beauclair Guimarães** - *Raízen Energia S.A. - CEO, Chief Superintendent Officer & Member of the Executive Officers Board*

So my first achievement was not to shake hands already. And Marcos only gave his foot -- you know, foot contact, not handshakes anymore. So Marcos really gave a good idea and covered everything about this fantastic portfolio that we have of people, customer and partners. I think that this is the main slogan and the main drive of this company, and it's a challenge to follow Marcos' footsteps.

I think he was right in saying that this company only increases because we are all working together. So in the past years, nobody in top management ever left the company. We just added new talents with companies that went through an M&A and/or partners. We like people. We like working with people. We have no difficulty in having partnerships. Look at our portfolio, we have no issue with new cultures, with people that do things better or going to other countries.

It's what [Philip] is creating, to attract people in other countries and make this part of our culture, and not to be ashamed of doing things that other people do. And we're not the company that says it's either our way or no way. That is not what we think. We think the opposite. We have to include the talents that we were able to bring to our group. And this is a challenge.

I will continue working with Marcelo, Rita -- that is replacing Portela as of next month. Continue with the team that is always growing with independence in each company because with a portfolio of this size can -- this size can only be managed by people that know how to operate the business. We have excellent examples. Look at

[Theo] from Argentina. He was at Raizen, and he worked at Shell, and now he's working at Raizen Argentina. And the whole Argentina portfolio, he is integrating with Brazil. So this is what we have been doing and will continue.

So just a couple of things here that I think is important. Well, it's funny to talk about macro environment. But we believe where we are. We -- in favor of low interest rates and increase in GDP and also, we have experienced other crisis. So this is not going to cause any -- it's not going to shake



us. And the leader -- leadership of our President -- of our Chairman of the Board, is going to help us in our continued growth in the coming months and years.

Marcos said but I think we have to repeat this 10x, we are on the good side of all the changes that are happening here in Brazil. The disinvestments of Petrobras. Radical change of Petrobras in the whole energy and power because they were the only player in Brazil. And so they -- we built thermal electric power plants. We developed the plants and the mills necessary in electric power and natural gas.

So all these movements -- and no longer having the monopoly of Petrobras, having a free market with distribution increasing, renewable platforms, which is fantastic. New bio this year. Nobody believed that a country like ours would ever be -- that we would be also included in the pricing of carbon, ahead of other economies.

So the energy transformation is enormous and new managers and other managers as well that are positioned with regarding sustainability, the future of the planet and the capacity of being responsible, reducing our emissions. Dozens of companies having public commitments regarding carbon footprint. The majority, they don't even know how they're going to get there, but they have to reduce their -- they have to have a carbon footprint. And they will see it like -- companies like ours because we're going in this direction with more efficiency. We lubricate better. We transport better. We reduce the footprint of emissions and we have ethanol.

So we are on the right side of the change and with a platform that is already ready. So the turnaround challenge has gone by, and now we can concentrate on the new opportunities that are coming up and position ourselves. Others are still waiting to do their house keeping and their turnaround. We are -- have the right assets in an industry that is changing, transforming and coming into our direction.

So using the same graph that Marcos showed you, this is a footprint of continuity. I'm not going to say anything that is going to change the portfolio or the direction. No. We're just a guarantee that we're going to deliver growth, like all the CEOs of each company said in their own businesses. The portfolio is positioned for a growth, and we are going to give an important leap in growth and we're going to focus on headcount, on people and culture.

Of course, we have evolved a lot. Well, we still have important opportunities. We are still not a diverse company on the top. We have to increase diversity in the top of the company. We have been growing in the base, the trainees. Just to give you an example regarding gender. We now have many areas with more than 50% of women, including trainees.

And so these people have a capacity of career growth and coming here to present the Cosan Day with new businesses. This is a challenge. So we have a continuous culture, agenda and of people. And we are going to dedicate a lot of energy and time on this. And so all of the issues that have to do with the [EST] are fundamental. You saw that [Berto] talked about this and Marcos as well. And Paula will talk about this. We're going to be drilling down and the -- it's a market truth, and it's what you investors want.

We always focus on you as well. The logo of the Cosan culture is an E. You want efficiency, profitability and responsibility and accountability. And we are prepared to this. Everything we do has this footprint.

And I will just use this to give you some examples. I think you've already seen this graph a couple of times but we're going to continue talking about this because this is our mantra. Safety is our mantra. And we can only get this through disciplined leadership and courage.

And once more, all of the business have a results that we have to be very proud of this, and the challenge is to continue like this.

When we look at the different businesses individually, Raizen, they contribute relevantly to -- in Brazil when we talk about the emissions footprint, particulate -- especially in cities like São Paulo, Belo Horizonte and Curitiba, where you can see the blue skies. And as an industry, we are launching a campaign, Bring Back My Blue Skies, because the biggest metropolis, the biggest cities around the world don't have blue skies anymore. You go to Shanghai, Manila, Delhi and Bangkok, it's never a clear blue day.



So we have a great opportunity and Raizen is coming to show you that it is possible to reduce the carbon footprint. And first-generation ethanol and with the entry of biogas that can replace biodiesel, and also the sugarcane ethanol. We're going to be more competitive and more competitive with gasoline and corn ethanol. We already have more efficient cars.

Rumo. Well, the company Rumo, with -- it takes hundreds of trucks from the roads and lorries from the roads. We're going to increase efficiency and going into general low transport, which is containers, which is a much bigger market and with enormous benefits regarding urban mobility and in fact, emission reduction. So we have eliminated so many lorries and trucks from the road, and this will continue.

Now let's look at Moove. Moove has removed a lot of plastic in the world. And the plastic challenge is total in all businesses, not only the ones that we participate here, but society as a whole. But besides this, Moove will improve energy efficiency, productivity of all equipment and will also bring the reduction of the carbon footprint.

And Comgás, the replacement of LNG and others like for burning and also reduced transport. Transport is something that we have to take out cars from the streets and -- we're talking about the biggest city in the biggest urban concentration of our country.

Every network expansion of Comgás and a new industrial customer is also a reduction in the footprint. So if you look at our portfolio as a whole, we are positioned in everything that generates efficiency, the carbon footprint and everything that will make for our country, our society, because of Moove and Raizen, a better world.

And adding who do we have in the leadership in the Board. I'm not going to go into each line, but you can see that there are so many people or that depend on the company with a lot of experience in the different areas, so that we can have profound discussions and opinions, valid opinions to help us take the best decisions.

Marcelo is our guardian controlling our risk. And it's important with a different point of view, we take better decisions. If we all think the same way, we run enormous risks of doing things wrong. Now we have on our -- in the Board of all the companies and the Holding, they have different opinions, act different, but everybody respects each other and they know how to work together and listen to the other.

It seems that some people don't listen and they do what they want. Now in this case, we have a series of Board members, executives and members of the Board, who have different backgrounds and perspectives. Some people have different nationalities. So this permits them to have a vision of the world and the country, always using risk management and the best capital allocation possible.

And in wrapping up, is consistency. We're going to continue with consistency. I will give continuity to everything that has been done in the past years. Of course, each person has a different style, and we each want a better evolution. We want a better company. So we cannot just be criticizing what was not done like you wanted but to go forward and to go to a higher level of more efficiency, better risk management and a better discipline in allocated capital.

And making this machine of people and talents to continue growing, to attract good talents because we have a strong culture that will generate results. But we will learn with the evolution of the business and the country.

Thank you very much. We're going to the Q&A now.

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## QUESTIONS AND ANSWERS

**Paula Kovarsky** - *Cosan Limited - Head of IR*

Okay. Somebody's got a question already.

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**Andre Saleme Hachem** - *Itaú Corretora de Valores S.A., Research Division - Research Analyst*

Andre Hachem from Itaú BBA. My question has to do with capital allocation. You've done a great job in the last decade. Now looking forward, there are many new projects, natural gas, the new routes, the thermal power stations, Raizen, you have the refineries. How are you thinking about funding for that capital allocation? What are your priorities in terms of projects? And considering the next 2 years, how do you see the origination of more funds to do all of that?

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**Marcos Marinho Lutz** - *Cosan Limited - Vice Chairman & CEO*

I'll start, Marcelo can finish. We've been saying for a while that our businesses have their own capital models. So Cosan won't be allocating capital. There's no need for Cosan to allocate capital to any of these projects. The project Nelson presented, he said a few times, there are partners in most of those projects. Route 4, you add up everything they produce and our share is 200%, 300%. So there will be outside capital coming in as equity into those projects -- into most of those projects.

And the refinery project, Luis can answer your question. But in practice, it will be funded by Raizen within the assumptions that we shareholders have for leveraging and not going over it. Raizen has to find a format that will allow it to make those investments, without going over those criteria. Over the last few years, the priority has been the group's capital structure, to have as much room as possible for companies to fund themselves, to fund their growth projects, that is a priority.

Companies should be able to fund their own growth projects. What we have been doing at Cosan is to deleverage the company over time. We have an excellent cash position. Our net debt is much lower than it has been historically, but we are accumulating cash, paying out dividends at a level that has never been done before. So companies will be funding their own growth. They will continue to make investments, whether it be in the refinery operation or Compass integration, they will be looking after it themselves. Then funds will go up in the form of dividends.

Cosan will serve its debt. It probably won't need those -- that cash anymore. And it will continue to pay out dividends. If Cosan has to make any investments, it will use its own funds. Now you'll remember that in 2007, when CZZ went public, the 10:1 structure was used so that we could deal with the growth in the group's diversification, which happened, but was much bigger than we thought. And we didn't have to issue a single CZZ share. So we have always prioritized the debt so that we can improve our balance sheet. And if there is no alternative, as was the case in Rumo, we raise funds, and that will continue to be our priority. You can also take that from assets. You won't have a majority shareholding. So you can raise funds from the assets just based on their characteristics. That's not a problem. Luis has a question.

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**Luiz Carvalho** - *UBS Investment Bank, Research Division - Director and Analyst*

Luiz Carvalho from UBS. I don't know if my question is to Lutz or to Luis. But over the last few years, we've been seeing the acquisitions you've mentioned and the company's capital structure wasn't seen as ideal by the market because of the discount of that 40%, 50% between CSAN3 and CZZ. So that discount is no longer there recently.

And in the last 3 or 4 Cosan Days, we discussed what the next capital structure step would be and how to simplify that structure. You've been talking about listing the assets. But with the last buyback you did at CZZ, please correct me if I'm wrong, but CSAN3 and CZZ have a consolidated share.

So you're comfortable enough to take the next step, I think. Could you share a little bit more with us about what the next steps would be in that sense?

And a second quick question. How do you -- what do you think about being the controller shareholder or not of certain assets? Is there a standard? You might be a minority shareholder of a refinery or not? If you could talk a little bit about that.

**Marcos Marinho Lutz** - *Cosan Limited - Vice Chairman & CEO*

Well, it's not the first time we've been asked that question, Luiz. But again, nothing has changed. Our buyback strategy is a way to create value at very low risks, and it naturally simplifies the capital structure, the ownership structure. Now the question is timing. When might that happen?

And the answer I can give you to that question is, I can't give you an answer because, in practice, you know what the regulation is. I can't. That will only happen when we can make a formal announcement. So that's the strategy.

The end strategy of the ownership structure is to have a single holding. Still the same strategy you've heard in the last 5 years. We are definitely much closer to that now than we were 5 years ago. It's much easier to do that now. The time is coming. It will come soon. But it's a journey, and we haven't got there yet.

As for your second question, perhaps Luis can answer it. I'll just comment on it briefly. We need to have enough of a share to make sure that the quality of culture, assets, decision-making is compatible with our initial guidance. Control can be -- majority control can be their guarantee, but sometimes it's not, like in the case of OXXO. That's somebody who knows a lot about what we're doing. So they have half of it. They are cocontrollers with Raizen, and that's more than enough for us given the trust that we've got from our interactions with him.

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**Luis Henrique Cals de Beauclair Guimarães** - *Raízen Energia S.A. - CEO, Chief Superintendent Officer & Member of the Executive Officers Board*

Oh, you've answered the question.

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**Marcos Marinho Lutz** - *Cosan Limited - Vice Chairman & CEO*

Sorry.

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**Luis Henrique Cals de Beauclair Guimarães** - *Raízen Energia S.A. - CEO, Chief Superintendent Officer & Member of the Executive Officers Board*

No. Thank you.

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**Gabriel Fonseca Francisco** - *XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A., Research Division - Energy, Oil & Gas Analyst*

My name is Gabriel Francisco from XP Investments. Right at the back here. My question is to Nelson. And I have a follow-up on Luis' comment. So about gas, you've created the structure between CSAN3 and Comgás. What can we expect in terms of capital structure? Will Comgás' future dividends be used to fund those 4 initiatives? Or if not, what part would be going to the holding CSAN3 or CZZ?

And what will you be focusing on first at Compass, given that opportunities will be taking place at different times. So we have a thermal power plant, that was more quickly because that's the most severe, structurally short in Brazil, but you have to have a firm supply of gas. So what would be your strategy if that proceeds PGM or Route?

And in terms of corporate structure, Luis and Marcos. Often, we've heard about this simplification. But today, you've been focusing on complementing it, which is the value of Cosan 3. One thing offsets the other. So how do you see this complementary? Do you think it has more value than the restructuring?



**Nelson Roseira Gomes Neto** - *Cosan Limited - CEO of Companhia de Gás de São Paulo – Comgás*

Okay. I'll start. In terms of Compass' capital structure, obviously, Comgás below Compass, even having paid out all dividends, the dividends we've been paying out, will continue to generate cash and therefore, generate dividends. And Comgás dividends will be paid out now to Compass and not to Cosan.

We haven't issued a dividends policy yet. So a part of that can be reinvested in other businesses of the new company, which is a vehicle for gas and power investments called Compass. Now there are other funding sources. We could leverage it. Compass' leveraging is very, very low, suboptimal. So my direct answer to your question is, we don't have a dividends policy, and we can use part of those dividends paid out by Compass to Comgás -- Compass to Comgás to reinvest.

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**Luis Henrique Cals de Beauclair Guimarães** - *Raízen Energia S.A. - CEO, Chief Superintendent Officer & Member of the Executive Officers Board*

As for our priorities. Well, that will depend on what happens in the market. When we talk about routes, Route 4 is a project that we started a few years ago. And we still need 2 to 3 licensing years plus 2 to 3 construction years before it can be up and running.

As we said before, there is no direct capital allocation, not substantial anyway from Compass. It's a minority share, as we've said before. There will be other opportunities. Thermal power stations. Auctions, we're ready to take part in those and to understand how that thermal power station auctions work.

That doesn't mean we'll be going to that auction or other auctions with a huge appetite to leave as winners of the PPA, but there will be a learning curve so that over the next few years, we can be positioned with partners that are familiar with that segment and then come out as the winners. That will depend on the types of opportunities that will appear in the market first.

We do not believe that Compass' growth project will compromise our ability to pay out dividends. All the studies we've conducted show that market sources will provide the resources needed for Compass to grow, without having to pay out less dividends to Cosan. That needs to be made clear. We will continue to receive dividends from Compass. It's about end simplification and complementarity, both things.

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**Isabella Simonato** - *BofA Merrill Lynch, Research Division - VP*

Isabella Simonato, Bank of America.

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**Marcos Marinho Lutz** - *Cosan Limited - Vice Chairman & CEO*

Go for it.

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**Isabella Simonato** - *BofA Merrill Lynch, Research Division - VP*

I have a couple of questions. First, about Compass and maybe it involves Raízen. Many of your expansion projects have had regulatory tailwinds, not only at the state level, but also at the federal level. So how would you address the risk of a change in the administration 2 years from now? How might that hinder your mid- to long-term agendas, if there is an unfavorable regulatory change?

And the second question, especially to Marcelo is, looking at CZZ's debt after all the buybacks, especially after CSAN3's last buyback, is it the same level of debt we used to see as Cosan 3 used to have? Because that will bring some inefficiencies. And other than dividends at Cosan 3, is there anything else to address that CZZ balance?



**Marcelo Eduardo Martins** - *Cosan Limited - CFO, Investors Relations Officer & Director*

Isabella, actually, CZZ's debt was required because it was the only way to fund the buyback process. You remember why the only reason that dividend exists is because we bought stock. It's not enough, obviously. But we will solve that in time. So Cosan has been deleveraging. We leveraged Comgás last year -- this year. And we will not stop the process. We will keep the debt in the operational. But when you change the ownership structure, you will improve the efficiency -- the inefficiency you see at CZZ.

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**Marcos Marinho Lutz** - *Cosan Limited - Vice Chairman & CEO*

Last question. As to the regulation, Isabella, you saw in my presentation, we started these projects during the previous administration. And so when we look at the investment plan, we have to consider the long run and past experiences, future plan. Regulation is a technical thing. And often, it doesn't depend on administrations.

Now speaking specifically about the power and the gas industries. Often, there are differences in speeches during interviews, but we tend to look at the technical side of publications. The new gas market, the TCC, the Cease and Desist Agreement between Petrobras and CADE. So we look at things technically and regulations are progressing. They're going where they should be going. So it has been evolving despite the administration that is in power.

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**Unidentified Participant**

My name is Soraya, I'm from [Rodya]. Now the industry needs competitiveness. So when we see a slide like you showed where gas is more expensive in Brazil than in Europe, where lots of companies have plants, we're very happy to see that you're building a portfolio with different initiatives so that we can have access to a cheaper gas, whether it be via Comgás in the captive market or via Compass in a free market.

But my question is the timing. How long it will take for that to happen? Because even though regulatory issues are moving forward, access to infrastructure is still a complex issue. So how do you see the time it will take to have access to that infrastructure so all of that can happen and before we have a new gas market?

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**Marcos Marinho Lutz** - *Cosan Limited - Vice Chairman & CEO*

The entire regulatory framework that has been built for those changes we've shared with you today, a large part of that came from the federal government through the Cease and Desist Agreement that was signed between CADE and Petrobras.

So access to infrastructure right now, outflow pipelines, gas treatment, gas transportation, access to that infrastructure has been set forth in the TCC Agreement. If you look at the TCC, the Cease and Desist Agreement, the timing set forth, that is before the end of 2021. So we hope that along the next few months or over the next couple of years, that will come to pass.

Obviously, we've been working on trying to bring that forward. So from our part, we want things to happen before then. Now whether we'll be able to exert any kind of influence to make sure it happens earlier, we'll see over the next few months. But what the Cease and Desist TCC Agreement says is by the end of 2021.

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**Paula Kovarsky** - *Cosan Limited - Head of IR*

So unfortunately, we only have time for one more question, and then we'll have to go.



**Thiago Callegari L. Duarte** - *Banco BTG Pactual S.A., Research Division - Analyst*

We've heard a few questions about that, but it's important because of the official appearance of Compass. All other business units have a pro-growth agenda. More growth over the next few years when compared to what we've seen happen in the last few years. So the best way to understand the dividend flow, whether we'll have more debt, increased capital, do you reiterate that 1.5x to 2x net debt-to-EBITDA at CSAN3

**Marcelo Eduardo Martins** - *Cosan Limited - CFO, Investors Relations Officer & Director*

No. 2x to 2.5x, Thiago. 2x to 2.5x, Thiago.

**Thiago Callegari L. Duarte** - *Banco BTG Pactual S.A., Research Division - Analyst*

Okay. That changes things a bit.

**Luis Henrique Cals de Beauclair Guimarães** - *Raízen Energia S.A. - CEO, Chief Superintendent Officer & Member of the Executive Officers Board*

Yes. That's our target, 2x to 2.5x. We are already on target. And the trend is for more deleveraging. If we look at our forecast and our last strategic plan, we will be deleveraging. And that's the challenge. Companies need to continue to generate enough projects because we don't want to have inefficient capital structure. That's not desirable because that hasn't had an impact on our ability to pay out dividends to recapitalize.

They will generate opportunities so we have the best opportunities to get to close to 3%. You just heard during that presentation that even if we can have a lower return on invested capital, it is still substantially better in terms of value creation when compared to a higher interest rate scenario. So looking 2 years down the line, to create growth opportunities at company so that it doesn't compromise our ability to pay out dividends and so that we can continue to grow. Otherwise, we won't be doing our job.

**Marcos Marinho Lutz** - *Cosan Limited - Vice Chairman & CEO*

Just a slight correction. Our target has always been 2x. Never 1.5x to 2x. We always said, when it gets to 1.5x, it's too low. When we get to 2.5x, it's too high. So the target has always been 2x. And it's a paradigm because now with the 12 to 13 CDI, you want to be closer to 1.5x. But with current low interest rates as low as they are, the economic advantage and the value creation for shareholders by leveraging a bit more is much higher, especially when you're based on stable businesses to generate cash. So no risk to have liquidity problems. But again, target is 2x.

**Paula Kovarsky** - *Cosan Limited - Head of IR*

All right. Great chat, but unfortunately we have to come to an end because we've gone over our time. Thanks, everyone. Thanks to the teams for working so hard and putting these presentations and this event together. And I'll see you at the 11th event.

[Statements in English on this transcript were spoken by an interpreter present on the live call.]



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