



AUGUST 28TH, 2023

1Q24 EARNINGS RELEASE



Period Definitions

1Q23: April to June 2022

1Q24: April to June 2023

Earnings Release 1Q24

August 28th, 2023

Lucas do Rio Verde – MT, August 28th, 2023 – FS Indústria de Biocombustíveis Ltda (“FS Ltda”) and FS Indústria de Etanol S.A. (“FS S.A.”) (combined as “Company” or “FS”), leading producers of corn ethanol (anhydrous and hydrous), animal nutrition and bioenergy, announce their results for the first quarter (“1Q24”) of the fiscal year 2024 (“FY24”), ended June 30th, 2023. FS combined financial statements were prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and with the accounting practices adopted in Brazil, presented in a managerial format.

1Q24 HIGHLIGHTS

- **Net revenue: BRL 1,821.6 million** (-3.4%).
- **EBITDA: BRL 377.1 million** (-44.2%) or BRL 0.957/liter of ethanol sold, with margin of 20.7% (-15.1 p.p.).
- **Net profit: BRL 34.0 million** (-87.3%), with 1.9% margin.
- **Capex: BRL 402.1 million**, of which BRL 395.5 million in growth capex.
- **Net debt: BRL 5,034.4 million**, or 2.41x LTM EBITDA, (+1.22x vs. 1Q23).
- Successful start-up of **Primavera do Leste Plant** (“PDL Plant”) operations in early May’23, **ahead of schedule and below budget**.
- Issuance of two new unsecured CRAs (BRL 750 million in April 2023 and BRL 400 million in June 2023), both in two series, with 6.5-year maturities and cost of CDI+2.9% p.a. and NTN-B + 2.9% p.a.
- As of August 28th, 2023, we had repurchased and cancelled USD 168.3 million of our Green Bond (issued by FS Lux), reducing the outstanding principal to USD 511.7 million.

Financial highlights <i>(in BRL thousands)</i>	1Q23	1Q24	1Q24 vs 1Q23
Net revenue	1,886,597	1,821,550	(3.4%)
Cost of goods sold	(1,084,075)	(1,253,625)	15.6%
Gross profit	802,522	567,925	(29.2%)
<i>Gross margin</i>	<i>42.5%</i>	<i>31.2%</i>	<i>(11.4 p.p.)</i>
Selling, general & administrative expense	(202,459)	(262,212)	29.5%
Other results	43,070	23,483	(45.5%)
EBIT	643,133	329,196	(48.8%)
<i>EBIT margin</i>	<i>34.1%</i>	<i>18.1%</i>	<i>(16.1 p.p.)</i>
Depreciation and amortization	32,864	47,906	45.8%
EBITDA	675,997	377,102	(44.2%)
<i>EBITDA margin</i>	<i>35.8%</i>	<i>20.7%</i>	<i>(15.1 p.p.)</i>
<i>EBITDA BRL/liter</i>	<i>2.203</i>	<i>0.957</i>	<i>(56.6%)</i>
Net profit	267,249	34,004	(87.3%)
<i>Net margin</i>	<i>14.2%</i>	<i>1.9%</i>	<i>(12.3 p.p.)</i>
EBITDA minus maintenance capex	666,885	370,538	(44.4%)
Net debt	3,294,535	5,034,357	52.8%
EBITDA (LTM)	2,771,563	2,093,202	(24.5%)
Net debt/EBITDA (LTM)	1.19 x	2.41 x	1.22 x

OPERATIONAL HIGHLIGHTS

Operational Highlights	1Q23	1Q24	1Q24 vs 1Q23
Corn crushed (tons)	728,665	1,054,966	44.8%
Biomass Consumption (m³)	643,826	899,607	39.7%
Ethanol produced¹ (m³)	319,991	452,613	41.4%
Ethanol production yield² (liter/ton)	431.8	424.0	(1.8%)
DDG Products produced ³ (tons)	288,439	387,853	34.5%
Corn Oil produced (tons)	9,782	16,384	67.5%
CBIOS issued (units)	322,265	365,695	13.5%
Ethanol sold (m ³)	306,792	394,045	28.4%
<i>% volume anhydrous sold</i>	<i>48.8%</i>	<i>59.6%</i>	<i>10.8 p.p.</i>
DDG Products sold (tons)	287,775	370,342	28.7%
Corn Oil sold (tons)	9,515	15,454	62.4%
CBIOS sold (units)	365,000	754,559	106.7%
Total Volume Corn marketing (tons)	233,344	497,650	113.3%
Energy sold (MWh)	49,339	48,048	(2.6%)

¹ Production of anhydrous ethanol and hydrous ethanol combined.

² Total anhydrous ethanol produced converted into liters and divided by the total volume of corn crushed in tons.

³ Considers the sum of the products: DDG High protein, DDG High fiber and DDG Wetcake.

The Company processed 1,055.0 thousand tons of corn in 1Q24, an increase of 44.8% compared to the 1Q23, mainly driven by the start-up of PDL Plant in early May'23. With the PDL Plant, we have reached an annual installed capacity of approximately 2.1 million m³ of anhydrous ethanol.

The consumption of biomass in 1Q24 reached 899.6 thousand m³, an increase of 39.7% versus 1Q23.

In 1Q24, FS produced 452.6 thousand m³ of ethanol, an increase of 41.4% versus 1Q23. In the quarter, we sold 394.0 thousand m³ of ethanol, an increase of 28.4% versus 1Q23. The share of anhydrous ethanol sold increased by 10.8 p.p. compared to 1Q23. Additionally, we issued 365.7 thousand and sold 754.6 thousand units of CBIOS in 1Q24, an increase of 13.5% and 106.7% versus 1Q23, respectively.

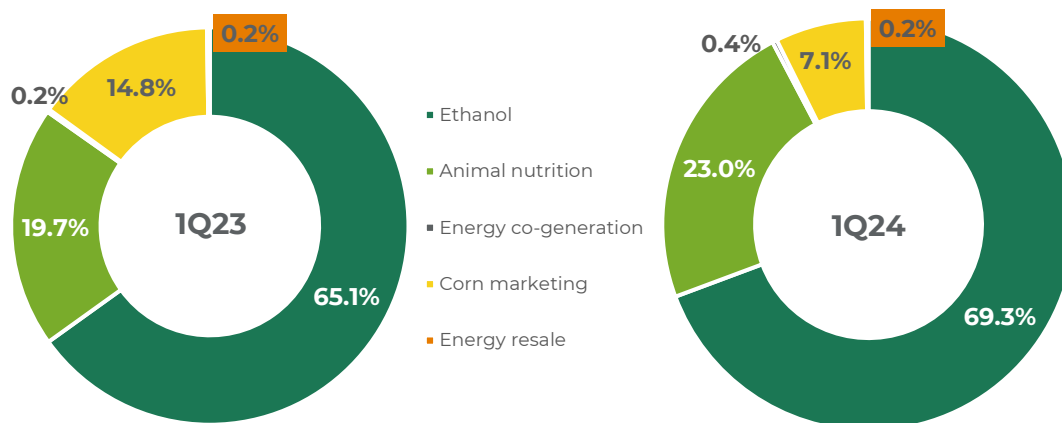
Finally, In 1Q24, FS sold 370.3 thousand tons of DDG products, an increase of 28.7% versus 1Q23.

NET REVENUE

Net revenue (in BRL thousands)	1Q23	1Q24	1Q24 vs 1Q23
Ethanol segment	1,121,579	1,117,041	(0.4%)
Anhydrous ethanol	564,694	694,899	23.1%
Hydrous ethanol	556,885	422,142	(24.2%)
Animal nutrition segment	338,873	370,132	9.2%
DDG High-protein	142,589	156,563	9.8%
DDG High-fiber	85,911	93,017	8.3%
DDG Wetcake	45,915	59,553	29.7%
Corn Oil	64,458	60,999	(5.4%)
Energy co-generation	3,926	5,956	51.7%
Energy	2,969	4,580	54.3%
Steam	957	1,376	43.8%
Total net revenue from industrial segments (a)	1,464,378	1,493,129	2.0%
Corn marketing	254,659	114,958	(54.9%)
Energy resale	3,963	3,380	(14.7%)
Total net revenue from marketing segments (b)	258,622	118,338	(54.2%)
Total net revenue from segments¹ (c) = (a) + (b)	1,723,000	1,611,467	(6.5%)
Reclassification - Freight on sales (industrial) (d)	103,896	158,325	52.4%
Reclassification - Freight on sales (marketing) (e)	59,701	51,758	(13.3%)
Net revenue (f) = (c) + (d) + (e)	1,886,597	1,821,550	(3.4%)

¹ For managerial reporting purposes and for a better understanding and standardization of financial performance by product and segment, FS deducts from the net revenue all logistics and freight expenses to determine net revenue from segments and products. With this view, the determination of net revenue per liter or per ton are directly comparable to each other, regardless of the sales incoterms - CIF or FOB, as well as being directly comparable with market indicators, such as the ethanol ESALQ index which is also net of taxes and freight.

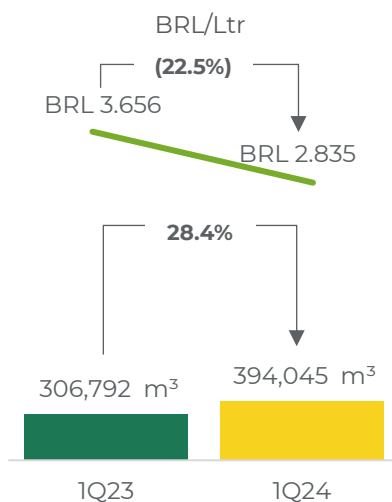
Total net revenue from segments (c)



Total net revenue from industrial segments (a)

In 1Q24, net revenue from industrial segments totaled BRL 1,493.1 million, 2.0% higher than 1Q23, mainly driven by (i) an increase in production capacity due to the start-up of PDL Plant and (ii) lower ethanol net sales prices, partially offset by higher anhydrous mix. Details for the industrial segments are presented below.

Ethanol Segment



<i>(in BRL thousands)</i>	1Q23	1Q24	1Q24 vs 1Q23
Ethanol segment	1,121,579	1,117,041	(0.4%)
Anhydrous ethanol	564,694	694,899	23.1%
Hydrous ethanol	556,885	422,142	(24.2%)
<i>% volume anhydrous sold</i>	<i>48.8%</i>	<i>59.6%</i>	<i>10.8 p.p.</i>

Net revenue from the ethanol segment totaled BRL 1,117.0 million in 1Q24, 0.4% lower than 1Q23. The average net sales price of ethanol in 1Q24 was BRL 2.835/liter, 22.5% lower than 1Q23, while the average ESALQ hydrous net price in 1Q24 was BRL 2.695/liter, 20.1% lower than 1Q23, mainly driven by the reductions on fuels taxation implemented by the Brazilian government and, more recently, the reduction in gasoline prices set by Petrobras. FS' ethanol net sales price was BRL 0.140/liter higher than ESALQ hydrous in 1Q24. Ethanol CIF sales reached 83.1% in 1Q24 (+3.8 p.p. versus 1Q23).

Animal Nutrition Segment

(in BRL thousands)	1Q23	1Q24	1Q24 vs 1Q23
Animal nutrition segment (a)	338,873	370,132	9.2%
DDG High-protein	142,589	156,563	9.8%
DDG High-fiber	85,911	93,017	8.3%
DDG Wetcake	45,915	59,553	29.7%
Total DDGs	274,415	309,133	12.7%
Corn Oil	64,458	60,999	(5.4%)
P&L corn marketing (b)	9,232	48,243	n.m.
Production cost - corn (c)	667,187	972,008	45.7%
Coverage ratio (d) = (a + b) / (c)	52.2%	43.0%	(9.1 p.p.)

Net revenue from the animal nutrition segment totaled BRL 370.1 million in 1Q24, 9.2% higher than 1Q23, mainly driven by increased volumes after the start-up of PDL Plant in May 2023, partially offset by price decreases driven by lower prices of substitute products (corn or soybean meal).

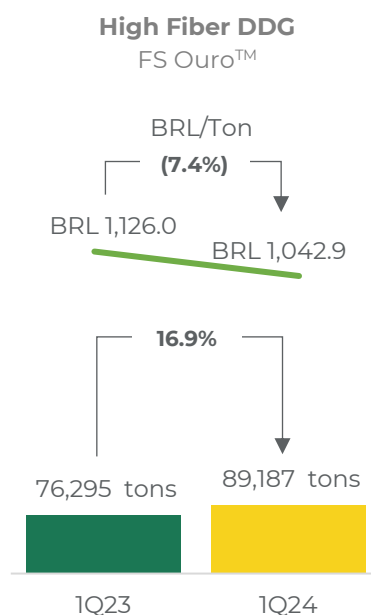
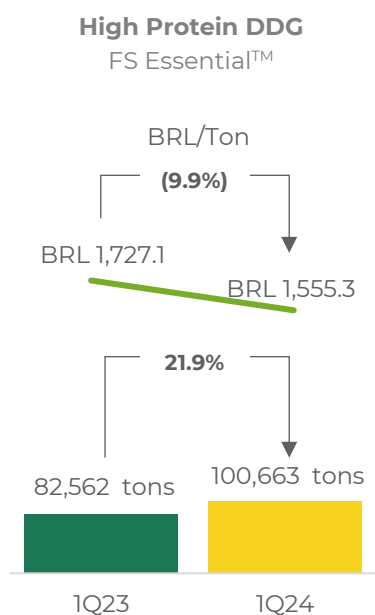
Net revenue from **High Protein DDG** totaled BRL 156.6 million in 1Q24, 9.8% higher than 1Q23. The net sales price of High Protein DDG in 1Q24 was BRL 1,555.3/ton, 9.9% lower than 1Q23.

Net revenue from **High Fiber DDG** totaled BRL 93.0 million in 1Q24, 8.3% higher than 1Q23. The net sales price of High Fiber DDG in 1Q24 was BRL 1,042.9/ton, 7.4% lower than 1Q23.

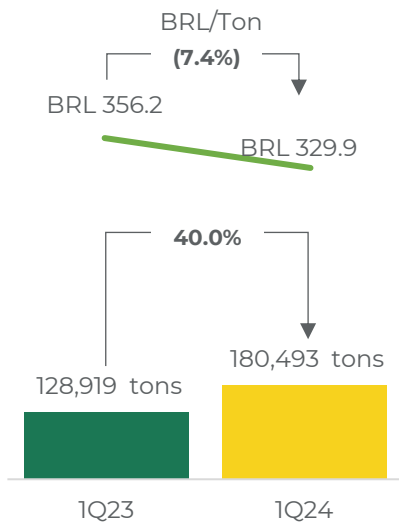
Net revenue from **Wetcake DDG** totaled BRL 59.6 million in 1Q24, 29.7% higher than 1Q23. The net sales price of Wetcake DDG in 1Q24 was BRL 329.9/ton, 7.4% lower than 1Q23.

Net revenue from **Corn Oil** totaled BRL 61.0 million in 1Q24, 5.4% lower than 1Q23. The net sales price of corn oil in 1Q24 was BRL 3,947.0/ton, 41.7% lower than 1Q23.

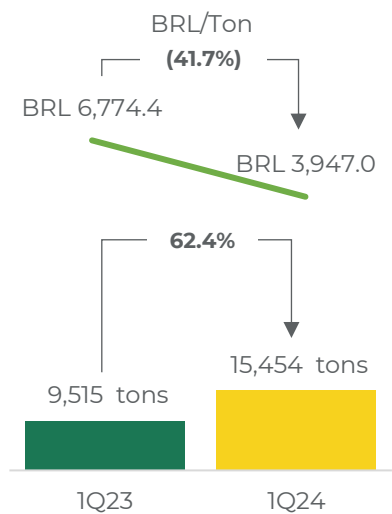
The coverage ratio of the animal nutrition segment revenue plus the results of our corn marketing initiatives, compared to the production cost of corn, reached 43.0% in 1Q24, 9.1 p.p. lower than 1Q23.



Wetcake DDG
FS Umido™



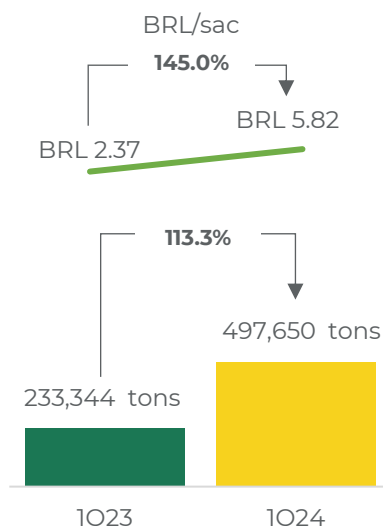
Corn Oil
FS Vital™



Total net revenue from marketing segments (b)

In 1Q24, net revenue from marketing segments totaled BRL 118.3 million, 54.2% lower than 1Q23, driven by lower net revenue from corn marketing, offset by higher volumes of corn marketing contracted in the period.

Corn Marketing



<i>(in BRL thousands)</i>	1Q23	1Q24	1Q24 vs 1Q23
Net revenue corn marketing (a)	254,659	114,958	(54.9%)
Cost of goods resold corn marketing w/out MTM (b)	(241,913)	(99,794)	(58.7%)
P&L corn marketing (w/out MTM) (c) = (a) + (b)	12,746	15,164	19.0%
Volume corn marketing invoiced (tons) (d)	197,503	160,125	(18.9%)
Spread per sac invoiced (BRL/sac) (e) = (c) / (d)	3.87	5.68	46.7%
P&L MTM contracted volumes (f)	(3,514)	33,079	n.m.
Volume of corn marketing contracted ¹ (tons) (g)	35,841	337,525	n.m.
Cost of goods resold total (h) = (b) + (f)	(245,427)	(66,715)	(72.8%)
P&L corn marketing total (g) = (a) + (h)	9,232	48,243	n.m.
Total volume (i) = (d) + (g)	233,344	497,650	113.3%
Spread per sac (BRL/sac) (j) = (g) / (i)	2.37	5.82	145.0%

¹ This volume represents the total contracted and not invoiced in the period, that by accounting rules, must be marked-to-market (MTM) and recognized in the period it was contracted.

Net revenue from Corn Marketing totaled BRL 115.0 million in 1Q24, 54.9% lower than 1Q23, mainly due to lower volumes invoiced. The spread of Corn Marketing invoiced in 1Q24 was BRL 5.68 per sac, 46.7% higher than 1Q23.

Despite the lower volume invoiced and lower net revenue executed in the quarter compared to 1Q23, the growth in volume contracted drove an increase of 113.3% in total corn marketing volume and a P&L of BRL 48.2 million in the 1Q24.

TOTAL COST

Cost of industrial product sold <i>(in BRL thousands)</i>	1Q23	1Q24	1Q24 vs 1Q23
Net revenue from industrial segments (a)	1,464,378	1,493,129	2.0%
Variable cost (b)	(758,300)	(1,088,609)	43.6%
Cost of corn crushed	(667,187)	(972,008)	45.7%
Biomass costs	(56,262)	(74,292)	32.0%
Chemicals and enzymes	(34,851)	(42,309)	21.4%
Fixed cost (c)	(78,026)	(96,283)	23.4%
Maintenance	(13,993)	(13,308)	(4.9%)
Labor	(17,402)	(20,777)	19.4%
Depreciation	(30,446)	(45,046)	48.0%
Other production costs	(16,185)	(17,152)	6.0%
Cost of industrial product sold (d) = (b) + (c)	(836,326)	(1,184,892)	41.7%
Gross profit of industrial segments (e) = (a) + (d)	628,052	308,237	(50.9%)
<i>Gross margin of industrial segments (f) = (e) / (a)</i>	<i>42.9%</i>	<i>20.6%</i>	<i>(22.2 p.p.)</i>
Corn Crushed cost - in BRL per sac	55.95	62.64	12.0%
Biomass cost - in BRL per m³	89.85	96.28	7.2%

Cost of industrial product sold (d)

In 1Q24, the total cost of industrial product sold (d) was BRL 1,184.9 million, 41.7% higher than 1Q23. The main reasons for the variation were:

- i. Corn cost: total cost of BRL 972.0 million in 1Q24, 45.7% higher than 1Q23, driven by (a) the increase in the volume of ethanol produced with the start-up of PDL Plant in May 2023, and (b) the increase in commodity price, resulting in an average cost of BRL 62.64/sac in 1Q24, 12.0% higher than 1Q23;
- ii. Biomass costs: total cost of BRL 74.3 million in 1Q24, 32.0% higher than 1Q23, driven by (a) the increase in volume of biomass consumed after the start-up of PDL Plant in May 2023, and (b) the increase in biomass average cost of BRL 96.28/m³ in 1Q24 (increase of 7.2% versus 1Q23);
- iii. Chemicals and enzymes: total cost of BRL 42.3 million in 1Q24, 21.4% higher than 1Q23, mainly due to the increase in volume of ethanol produced with the start-up of PDL Plant in May 2023 partially offset by better price and yield improvements of chemicals and enzymes in our production, and
- iv. Labor: total cost of BRL 20.8 million in 1Q24, 19.4% higher than 1Q23, mainly due to wage increases and higher headcount related to industrial operations due to the start-up of PDL Plant.

Our gross margin of industrial segments dropped 22.2 p.p. in the quarter, from 42.9% to 20.6%. The main reasons for the decrease in margins are related to lower crush spread, driven by (i) lower ethanol prices (-22.5% versus 1Q23), (ii) higher corn price (+12.0% versus 1Q23), and (iii) higher biomass price (+7.2% versus 1Q23).

Cost of marketing goods sold <i>(in BRL thousands)</i>	1Q23	1Q24	1Q24 vs 1Q23
Net revenue from marketing segments (g)	258,622	118,338	(54.2%)
Cost of marketing goods sold (h)	(244,235)	(101,812)	(58.3%)
Cost of goods sold (Corn)	(241,913)	(99,794)	(58.7%)
Cost of goods sold (Energy)	(2,322)	(2,018)	(13.1%)
Gross profit of marketing segments (i) = (g) + (h)	14,387	16,526	14.9%
<i>Gross margin of marketing segments (j) = (i) / (g)</i>	5.6%	14.0%	8.4 p.p.
P&L MTM corn marketing contracted volumes (k)	(3,514)	33,079	n.m.
Gross profit of marketing segments with MTM (l) = (i) + (k)	10,873	49,605	n.m.

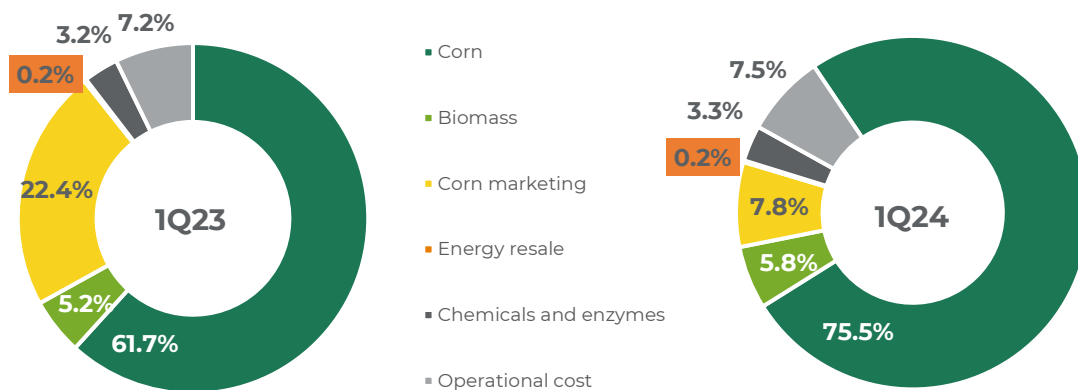
Cost of marketing goods sold (h)

In 1Q24, the cost of marketing goods sold (h) was BRL 101.8 million, 58.3% lower than 1Q23, driven by the decrease of corn marketing price and invoiced volume.

Our gross margin of marketing segments increased 8.4 p.p. in the quarter, from 5.6% to 14.0%.

Total Cost <i>(in BRL thousands)</i>	1Q23	1Q24	1Q24 vs 1Q23
Net revenue from industrial segments (a)	1,464,378	1,493,129	2.0%
Net revenue from marketing segments (g)	258,622	118,338	(54.2%)
Reclassification - Freight on sales (total) (m)	163,597	210,083	28.4%
Net revenue (n) = (a) + (g) + (m)	1,886,597	1,821,550	(3.4%)
Cost of industrial product sold (d)	(836,326)	(1,184,892)	41.7%
Cost of marketing goods sold (h)	(244,235)	(101,812)	(58.3%)
P&L MTM corn marketing contracted volumes (k)	(3,514)	33,079	n.m.
Total cost (o) = (d) + (h) + (k)	(1,084,075)	(1,253,625)	15.6%
Gross profit (p) = (n) + (o)	802,522	567,925	(29.2%)
<i>Gross margin (q) = (p) / (n)</i>	42.5%	31.2%	(11.4 p.p.)

Total cost (o)



Our total gross margin dropped 11.4 p.p. in the quarter, from 42.5% to 31.2%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses (in BRL thousands)	1Q23	1Q24	1Q24 vs 1Q23
Expenses with freight	(163,597)	(210,083)	28.4%
Other SG&A (d) = (a) + (b) + (c)	4,208	(28,646)	n.m.
Other selling expenses (a)	(7,462)	(10,372)	39.0%
General and administrative expenses (b)	(31,400)	(41,757)	33.0%
Other results (c)	43,070	23,483	(45.5%)
Total income / (expenses)	(159,389)	(238,729)	49.8%
<i>% net revenue</i>	<i>(8.4%)</i>	<i>(13.1%)</i>	<i>(4.7 p.p.)</i>

Selling, general and administrative expenses and other results

In 1Q24, selling, administrative and general expenses, and other results totaled an expense of BRL 238.7 million, representing 13.1% of net revenue for the period. The main highlights were:

- i. Expenses with freight: BRL 210.1 million in 1Q24, an increase of 28.4% above 1Q23, mainly due to (i) an increase in the total volume of ethanol sales (+28.4% versus 1Q23), (ii) an increase in ethanol sales to Northeast region resulting in longer distances (7.1% of total sales in 1Q24, +0.7 p.p. versus 1Q23), and (iii) the increase of ethanol CIF sales to 83.1% in 1Q24 of total ethanol sold (+3.8 p.p. versus 1Q23).
- ii. Other SG&A (Other selling expenses, general and administrative expenses, and other results): these three items totaled an expense of BRL 28.6 million in 1Q24 versus an income of BRL 4.2 million in 1Q23. The main reasons for the variation were:
 - a. Other selling expenses: total cost of BRL 10.4 million in 1Q24, 39.0% higher than 1Q23, driven by higher costs of labor;
 - b. General and administrative expenses: total cost of BRL 41.8 million in 1Q24, 33.0% higher than 1Q23, driven by the higher costs of labor and depreciation and
 - c. Other results: total income of BRL 23.5 million in 1Q24, 45.5% lower than 1Q23, mainly due to (i) BRL 34.0 million in other results of CBIOs (decarbonization credits from RenovaBio program) in 1Q24, BRL 7.9 million lower than 1Q23 in connection with the decrease in market prices, and (ii) BRL 14.2 million in other tax expenses, BRL 13.5 million lower than 1Q23.

NET FINANCE RESULTS

Net finance results (in BRL thousands)	1Q23	1Q24	1Q24 vs 1Q23
Finance income	161,119	183,867	14.1%
Finance expenses	(307,089)	(433,465)	41.2%
Foreign exchange rate variation	(298,325)	160,205	<i>n.m.</i>
Realized	(644)	(3,495)	<i>n.m.</i>
Unrealized	(297,681)	163,700	<i>n.m.</i>
Derivative	169,885	(249,947)	<i>n.m.</i>
Realized	(272,182)	(250,636)	(7.9%)
Unrealized	442,068	689	(99.8%)
Adjustment to present value	(6,105)	9,211	<i>n.m.</i>
Net finance results	(280,515)	(330,129)	17.7%

Net finance results

In 1Q24, we recognized an expense of BRL 330.1 million in net finance results versus an expense of BRL 280.5 million in 1Q23. The main highlights in the quarter were:

- i. Finance income: BRL 183.9 million mainly driven from the strong cash position.
- ii. Finance expenses: BRL 433.5 million, 41.2% higher than 1Q23, mainly due to the higher gross debt position.
- iii. Foreign exchange variation on the Company's USD denominated debt: gain of BRL 160.2 million, reflecting the impact of the appreciation of 5.1% of BRL against the USD in the 1Q24 (BRL/USD 5.0804 as of March 31st, 2023 to BRL/USD 4.8192 as of June 30th, 2023), of which BRL 3.5 million is recognized as a realized loss and BRL 163.7 million is reflected in unrealized gains, compared to the depreciation of 10.6% of BRL against the USD in the 1Q23 (BRL/USD 4.7378 as of March 31st, 2022 to BRL/USD 5.2380 as of June 30th, 2022).
- iv. Derivatives: loss of BRL 249.9 million in 1Q24 versus a gain of BRL 169.9 million in 1Q23. The main reasons for the variation were the FX appreciation of BRL 0.4188 between the quarters and the increase in interest rates:
 - a. Derivative realized: loss of BRL 250.6 million, mainly related to the payment of the senior note hedge provisioned in the unrealized line, and to the payment of the hedge of interest rate in IPCA and USD;
 - b. Derivative unrealized: gain of BRL 0.7 million, mainly related to the depreciation of the USD and the increase in interest rates.

NET PROFIT (LOSS)

Net profit (in BRL thousands)	1Q23	1Q24	1Q24 vs 1Q23
Profit (loss) before income and social contribution taxes (a)	362,618	(933)	<i>n.m.</i>
<i>Nominal rate</i>	<i>34.0%</i>	<i>34.0%</i>	<i>0.0 p.p.</i>
Tax expense at nominal rate (b)	(123,290)	317	<i>n.m.</i>
Adjustment of income and social contribution taxes (c)	27,921	34,620	24.0%
Tax and social contribution before tax incentive (d) = (b) + (c)	(95,369)	34,937	<i>n.m.</i>
Current tax	(85,256)	-	<i>n.m.</i>
Deferred tax	(10,113)	34,937	<i>n.m.</i>
Tax incentives (e)	-	-	<i>n.m.</i>
Income tax and social contribution (f) = (d) + (e)	(95,369)	34,937	<i>n.m.</i>
<i>Effective tax rate</i>	<i>26.3%</i>	<i>n.m.</i>	<i>n.m.</i>
Net profit (g) = (a) + (f)	267,249	34,004	(87.3%)

Tax and social contribution

In 1Q24 we recognized an income of BRL 34.9 million in income tax and social contributions (f) versus an expense of BRL 95.4 million in 1Q23 (d) due to lower profit before taxes (a) and higher adjustment of income and social contribution taxes (c). No tax incentives (e) were recognized in either period due to negative tax basis.

Net profit (loss) of the period (g)

In 1Q24, FS recorded a net profit of BRL 34.0 million, 87.3% lower when compared to a net profit of BRL 267.2 million in 1Q23, mostly explained by:

- i. The compression of the crush spread in the quarter, mainly driven by lower ethanol prices and higher corn costs; and
- ii. Higher finance expenses.

¹ FS has a tax incentive for operating in the SUDAM area, which results in a 75% reduction in income tax on the operations of the LRV Plant and the SRS Plant for a period of 10 years which was awarded in 2018 and 2020 respectively. This benefit will occur when there are taxable profits in the calculation period.

Ownership structure

FS Ltda. quotaholders are Summit Brazil Renewables I LLC ("Summit") with 70.69%, Tapajós individual shareholders with 23.97%, and preferred quotaholders with 5.34%.

FS S.A. shareholders are SBR FS Fundo de Investimento em Participações Multiestratégia Investimento no Exterior ("FIP Summit") controlled by Summit with 70.52%, LRV Fundo de Investimento em Participações Multiestratégia Investimento no Exterior ("FIP Amerra") controlled by Amerra Chapada LCC with 8.72% and other shareholders with 20.76%.

Both companies (FS Ltda. and FS S.A.) have the same shareholders and controlling group. Summit, the controlling group at FS Ltda., is represented by the FIP Summit at FS S.A., and the shareholders of Tapajós are represented partly by FIP Amerra and partly by individual investors joining the group of "others".

Dividends and Tax Distributions

The Company primarily distributes dividends in connection with tax liabilities incurred by our USA shareholders related to their investment in the Company ("Tax Distributions"). In addition, FS may distribute additional dividends beyond Tax Distributions if financial leverage metrics are within the Company's targets.

In 1Q24, the total distribution was BRL 645.4 million.

RECONCILIATION OF EBITDA, EBIT AND EBITDA minus MAINTENANCE CAPEX

Reconciliation of EBITDA <i>(in BRL thousands)</i>	1Q23	1Q24	1Q24 vs 1Q23
Net revenue	1,886,597	1,821,550	(3.4%)
Net profit/(loss)	267,249	34,004	(87.3%)
(+) Finance costs	593,360	703,117	18.5%
(-) Finance income	(611,170)	(212,783)	(65.2%)
(+) Foreign exchange rate variations, net	298,325	(160,205)	n.m.
(+) Income tax and social contribution	95,369	(34,937)	n.m.
EBIT	643,133	329,196	(48.8%)
<i>EBIT Margin</i>	<i>34.1%</i>	<i>18.1%</i>	<i>(16.0 p.p.)</i>
(+) Depreciation and amortization	32,864	47,906	45.8%
EBITDA	675,997	377,102	(44.2%)
<i>EBITDA Margin</i>	<i>35.8%</i>	<i>20.7%</i>	<i>(15.1 p.p.)</i>
(-) Maintenance Capex	9,112	6,564	(28.0%)
EBITDA Minus Maintenance Capex	666,885	370,538	(44.4%)

CAPEX

CAPEX ¹ <i>(in BRL thousands)</i>	1Q23	1Q24	1Q24 vs 1Q23
Property, Plant, and Equipment - beginning of period (a)	3,329,098	4,994,520	50.0%
Capex: (e) = (b) + (c) + (d)	419,754	402,078	(4.2%)
Growth capex ² (b)	399,509	395,514	(1.0%)
Maintenance capex ³ (c)	9,112	6,564	(28.0%)
Biological assets capex (d)	11,133	-	n.m.
Depreciation (f)	(35,756)	(60,655)	69.6%
Assets sale and disposals ⁴ (g)	(1,259)	-	n.m.
Property, Plant, and Equipment - end of period (h) = (a) + (e) + (f) + (g)	3,711,837	5,335,943	43.8%

¹ Includes acquisitions and transfers.

² Growth Capex is calculated as the sum of additions, acquisitions disposals and transfers for the following line items in the note to the financial statements entitled "Property, plant and equipment": Land, Construction in progress, Advances to suppliers, Right of use, Bearer plant, Buildings, Machinery and equipment and Installations.

³ Maintenance Capex is calculated as the sum of additions, acquisitions, disposals and transfers for the following line items in the note to the financial statements entitled "Property, plant and equipment": Buildings, Machinery and equipment, Furniture and computers, Vehicles, and Installations.

Capex (e) totaled BRL 402.1 million in 1Q24, a decrease of 4.2% versus 1Q23, mainly explained by lower maintenance capex and biological assets.

Depreciation (f) totaled BRL 60.7 million in 1Q24, an increase of 69.6% versus 1Q23, mainly explained by the start-up of PDL Plant and amortization of rights of use lease assets for our warehouses.

In May 2023, we successfully started production in our PDL plant, ahead of schedule and below budget. With the full operating capacity of PDL plant, FS will reach an annual installed capacity of more than 2.1 million m³ of anhydrous ethanol.

The Company expects to have a BRL 542.2 million in capex in the next three quarters comprised of: (i) BRL 514.9 million in growth capex, mostly related to the investment in the construction of our PDL plant and our Bioenergy Energy with Carbon Capture and Storage ("BECCS") project and (ii) BRL 27.3 million in maintenance capex.

NET DEBT EVOLUTION

Net Debt <i>(in BRL thousands)</i>	2Q23	3Q23	4Q23	1Q24	1Q24 LTM
Net Debt BoP	3,294,534	4,615,242	5,066,503	4,842,117	3,294,534
EBITDA	707,434	519,503	489,163	377,102	2,093,202
Working Capital	(1,043,310)	(247,222)	256,068	1,117,724	83,260
Income Taxes paid	-	-	-	-	-
Cash Flow From Operations	(335,876)	272,281	745,231	1,494,826	2,176,462
Cash Capex	(197,750)	(105,987)	(97,730)	(662,340)	(1,063,807)
Cash Flow From Operations Minus Capex	(533,626)	166,294	647,501	832,486	1,112,656
Cash Flow From Financing Activities	(787,081)	(617,556)	(423,115)	(1,024,726)	(2,852,478)
Net Interest	(248,938)	(111,970)	(452,621)	(112,416)	(925,945)
Impact from FX, Derivatives and Others	(213,143)	(495,186)	29,506	(266,926)	(945,749)
FX and Derivatives Impact	(129,718)	(115,727)	79,765	(90,431)	(256,112)
Other operational cash	(83,425)	(379,459)	(50,259)	(176,495)	(689,638)
Dividends Paid / Tax Distribution	(325,000)	(10,400)	-	(645,384)	(980,784)
Net Debt EoP (a)	4,615,242	5,066,503	4,842,117	5,034,357	5,034,357
Change in Net Debt	1,320,707	451,261	(224,386)	192,240	1,739,823
Raw material inventories ¹ (b)	2,328,234	1,597,653	628,592	585,082	585,082
Finished goods inventories ² (c)	198,145	282,112	99,615	245,228	245,228
Readily Marketable Inventories - RMI (d) = (b) + (c)	2,526,379	1,879,765	728,207	830,310	830,310
Net Debt EoP adjusted by RMI (e) = (a) - (d)	2,088,862	3,186,738	4,113,910	4,204,047	4,204,047

¹ Corn inventories position at market value.

² Ethanol inventories valued by the ESALQ Hydrated Ethanol Ribeirão Preto/SP index.

In 1Q24, net debt at the end of period totaled BRL 5,034.4 million, an increase of BRL 192.2 million compared to the net debt in the beginning of the quarter, mostly related to (i) the lower EBITDA generated at the period, (ii) expenditure of cash capex and (iii) negative impact of cash flow from financing activities with higher gross debt position more than offsetting the positive cash flow generated from operational activities.

Cash flow from operations was BRL 1,494.8 million in 1Q24, mainly driven by seasonal positive working capital.

In 1Q24, cash capex (cash basis) totaled BRL 662.3 million. The capex previously presented in “property plant and equipment” (accrual basis) was BRL 402.1 million, lower than the cash basis due the payment of capex accrued in previous quarters.

Our RMI (Readily Marketable Inventories), which accounts for the seasonality of our inventory levels, increased by BRL 102.1 million in comparison to the previous quarter. Net debt adjusted by RMI was BRL 4,204.0 million.

In the last twelve months, cash flow from operations was a positive BRL 2,176.5 million, a conversion of 104.0% of our EBITDA.

INDEBTEDNESS

Indebtedness <i>(in BRL thousands)</i>	1Q23	1Q24	1Q24 vs 1Q23
Senior Secured Green Notes (Bond) and CPRF ^{1,2,3}	3,435,963	2,464,967	(28.3%)
Certificate of Agribusiness or Real Estate Receivables (CRA/CRI)	1,979,650	3,173,588	60.3%
Other working capital lines ⁴	1,130,182	2,210,238	95.6%
Gross Debt	6,545,795	7,848,794	19.9%
Total cash ^{3,5,6}	3,251,260	2,814,437	(13.4%)
Net debt	3,294,535	5,034,357	52.8%
Net debt / EBITDA (LTM)	1.19 x	2.41 x	1.22 x
Net debt adjusted by RMI	1,665,889	4,204,047	152.4%
Net debt adjusted by RMI / EBITDA (LTM)	0.60 x	2.01 x	1.41 x
EBITDA (LTM)	2,771,563	2,093,202	(24.5%)

¹ Initial issue of USD 680.0 million Senior Secured Green Notes - Bond - Notes by the subsidiary FS Luxembourg s.à.r.l., ("FS Lux"). Current balance of USD 511.7 million.

² Issuance of USD 594.2 million of CPRF (Cédula de Produtor Rural Financeira) by FS, in connection with the Bond issued. Current balance of USD 340.8 million.

³ Acquisition of rights over a TRS (Total Return Swap) of USD 594.2 million - The TRS is a financial instrument agreement between FS Lux and a financial institution that mirrors the terms and cash flows of the CPRF issued by FS. The TRS amount is fully deducted from the Gross Debt in order to eliminate the duplicate debt caused by the local issuance of a CPRF. Current balance of USD 340.8 million.

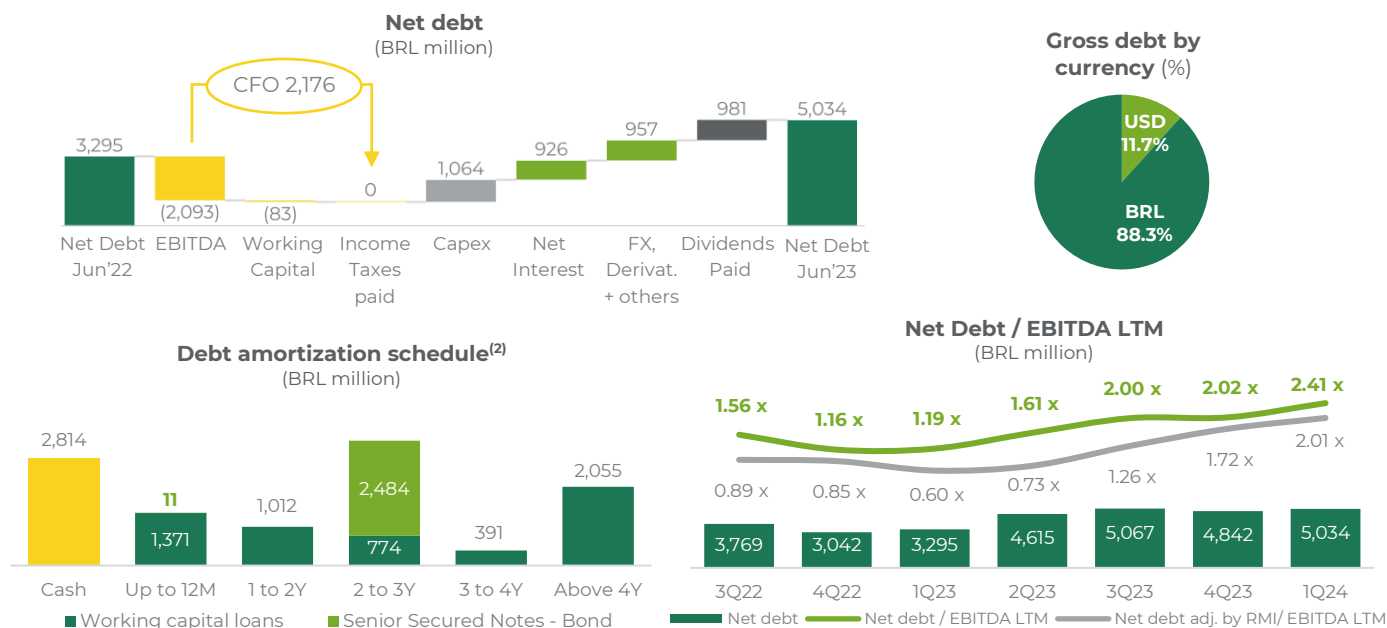
⁴ Issuance of BRL 1.5 billion of CPRF (Cédula de Produtor Rural Financeira) by FS, due the back-to-back transaction to transfer assets from FS LTDA to FS S.A.

⁵ Financial instrument/application of BRL 1.5 billion between FS LTDA and financial institutions that mirrors the terms and cash flows of the CPRF issued by FS to cover the back-to-back transition.

⁶ Includes cash and cash equivalents, financial investments, and restricted cash (short-term and long-term).

At the end of 1Q24, total gross debt reached BRL 7,848.8 million and total cash closed at BRL 2,814.4 million, resulting in a net debt of BRL 5,034.4 million, 52.8% higher than 1Q23. The increase in gross debt was driven by: (i) the additional issuance of CRA and working capital lines, partially offset by (ii) the impact of the BRL appreciation versus USD in our USD denominated debt. Leverage (net debt / EBITDA) increased by 1.22x when compared to 1Q23, reaching 2.41x, a result of the increase in gross debt, growth capex, and financial activities. RMI adjusted leverage was 2.01x at the end of 1Q24.

In April 2023 and June 2023, the Company issued two unsecured CRAs (BRL 750 million and BRL 400 million), both in two series, with 6.5-year maturities and cost of CDI+2.9% p.a. and NTN-B + 2.9% p.a. As of August 28th, 2023, we had repurchased and cancelled USD 168.3 million of our Green Bond (issued by FS Lux), reducing the outstanding principal to USD 511.7 million.



² Does not include the impact of transaction costs.

CONTROLLED COMPANIES

FS Ltda has one controlled company, which is the wholly owned subsidiary FS Lux, established on September 8th, 2020 with the main purpose of issuing international debt securities. FS S.A. has no controlled companies.

ABOUT FS

FS is a leading producer of low-carbon ethanol biofuel and animal nutrition products from corn, as well as bioenergy from renewable biomass. The Company owns and operates three industrial plants in the State of Mato Grosso, Brazil.

LEGAL NOTICE

The statements contained in this document related to business prospects, projections of operating and financial results and those related to growth prospects of FS are merely projections and, as such, are based exclusively on management's expectations about the future of the business. These expectations depend, substantially, on market conditions, the performance of the Brazilian economy, the sectors in which the Company operates and international markets and are subject to change without prior notice. The information contained herein does not mean and should not be interpreted as a guarantee of the Company's performance or future results.

STATEMENT OF INCOME

Statement of income <i>(in BRL thousands)</i>	1Q23	1Q24	1Q24 vs 1Q23
Segment - Ethanol	1,121,579	1,117,041	(0.4%)
Segment - Animal nutrition	338,873	370,132	9.2%
Segment - Energy co-generation	3,926	5,956	51.7%
Total revenue from industrial segments	1,464,378	1,493,129	2.0%
Segment - Corn marketing	254,659	114,958	(54.9%)
Segment - Energy resale	3,963	3,380	(14.7%)
Total revenue from marketing segments	258,622	118,338	(54.2%)
Reclassification - Freight on sales (industrial) (d)	103,896	158,325	52.4%
Reclassification - Freight on sales (marketing) (e)	59,701	51,758	(13.3%)
Net revenue	1,886,597	1,821,550	(3.4%)
Total cost	(1,084,075)	(1,253,625)	15.6%
Gross profit	802,522	567,925	(29.2%)
<i>Gross margin</i>	42.5%	31.2%	(11.4 p.p.)
Selling, general & administrative expense	(159,389)	(238,729)	49.8%
EBIT	643,133	329,196	(48.8%)
<i>EBIT margin</i>	34.1%	18.1%	(16.0 p.p.)
Depreciation and amortization	32,864	47,906	45.8%
EBITDA	675,997	377,102	(44.2%)
<i>EBITDA margin</i>	35.8%	20.7%	(15.1 p.p.)
Net finance costs	(280,515)	(330,129)	17.7%
Profit before tax	362,618	(933)	n.m.
Tax	(95,369)	34,937	n.m.
Net profit for the period	267,249	34,004	(87.3%)
<i>Net margin</i>	14.2%	1.9%	(12.3 p.p.)

STATEMENTS OF FINANCIAL POSITION

Statements of financial position (in BRL thousands)	1Q23	1Q24	1Q24 vs 1Q23
Cash and cash equivalents	2,891,822	2,159,077	(25.3%)
Financial investments	14,880	1,652,881	n.m.
Restricted cash	342,392	2,274,857	n.m.
Trade and other receivables	271,101	50,477	(81.4%)
Trade receivables with related parties	-	25,409	n.m.
Inventories	1,486,067	1,505,010	1.3%
Advances to suppliers	11,334	-	n.m.
Recoverable taxes	165,941	324,036	95.3%
Prepaid expenses	51,915	66,894	28.9%
Biological assets	3,760	617	(83.6%)
Derivative financial instruments	92,771	117,314	26.5%
Other credits	13,412	10,794	(19.5%)
Total current assets	5,345,395	8,187,366	53.2%
Financial investments	3,114,900	-	n.m.
Restricted cash	17,045	35,529	108.4%
Advances to suppliers	88,618	179,932	103.0%
Recoverable taxes	132,915	378,074	184.4%
Derivative financial instruments	-	42,197	n.m.
Related parties loans	282,142	277,356	(1.7%)
Biological assets	46,543	-	n.m.
Judicial deposits	3,854	4,817	25.0%
Total long-term assets	3,686,017	917,905	(75.1%)
Property, plant and equipment	3,711,837	5,335,943	43.8%
Intangible assets	16,191	19,973	23.4%
Total non-current assets	7,414,045	6,273,821	(15.4%)
Total Assets	12,759,440	14,461,187	13.3%
Trade payables	1,898,422	2,192,510	15.5%
Loans and borrowings	640,538	2,978,091	n.m.
Advances from customers	27,946	42,325	51.5%
Lease payables	15,324	34,671	126.3%
Income tax and social contribution payable	85,256	-	n.m.
Taxes and contributions payable	23,058	25,564	10.9%
Payroll and related changes	38,332	58,327	52.2%
Derivative financial instruments	465,443	371,066	(20.3%)
Total current liabilities	3,194,319	5,702,554	78.5%
Trade payables	20,059	17,342	(13.5%)
Loans and borrowings	9,035,038	8,178,610	(9.5%)
Lease payables	110,940	301,873	172.1%
Derivative financial instruments	77,299	-	n.m.
Deferred tax liabilities	7,950	63,903	n.m.
Provision for contingencies	-	398	n.m.
Total non-current liabilities	9,251,286	8,562,126	(7.4%)
Capital	87,806	-	n.m.
Net parent investment	-	196,507	n.m.
Tax incentive reserves	313,559	-	n.m.
Retained earnings	66,400	-	n.m.
Other comprehensive results	(153,930)	-	n.m.
Total equity	313,834	196,507	(37.4%)
Total liabilities and equity	12,759,440	14,461,187	13.3%

STATEMENTS OF CASH FLOW

Statement of cash flow <i>(in BRL thousands)</i>	1Q23	1Q24	1Q24 vs 1Q23
Net profit/ (loss) for the period	267,249	34,004	(87.3%)
Adjustment for:			
Depreciation and amortization	32,864	47,906	45.8%
Income from financial investments	(82,450)	27,347	n.m.
Borrowing costs (debt charges)	264,333	309,947	17.3%
Deferred income and social contribution taxes	95,369	(34,937)	n.m.
Foreign exchange rate (gains) or losses	297,681	(163,119)	n.m.
Adjustment to fair value	(166,491)	229,379	n.m.
Adjustments to present value	(12,543)	(13,424)	7.0%
Changes in:			
Trade receivables	9,476	242,559	n.m.
Inventories	(699,340)	(429,421)	(38.6%)
Recoverables taxes	(45,835)	(72,853)	58.9%
Prepaid expenses	-	86,996	n.m.
Trade and other receivables with parties loans	(27,257)	(25,979)	(4.7%)
Judicial deposits	(79)	(640)	n.m.
Other assets	(4,391)	25,115	n.m.
Advances to suppliers	4,542	(77,186)	n.m.
Trade payables	1,405,903	1,425,046	1.4%
Advance from customers	979	2,017	106.0%
Payroll and related charges	(9,335)	(8,714)	(6.7%)
Taxes and contributions payable	(65,462)	(49,216)	(24.8%)
Other non-current payables	(16,667)	-	n.m.
Interest and charges paid	(214,319)	(214,151)	(0.1%)
Interest redeemed from short-term investments	151,040	-	n.m.
Net cash from operation (used in) activities (a)	1,185,267	1,538,207	29.8%
Cash flow from investing activities			
Acquisition of property, plant and equipment	(282,108)	(716,737)	154.1%
Proceeds from sale of biological assets, right of contracts and bear plants	-	54,030	n.m.
Biologic assets	213	367	72.3%
Interest charges paid over capitalized loans	(58)	(15,995)	n.m.
Related parties loans	-	11,096	n.m.
Acquisition of financial investments	138,371	1,236,775	n.m.
(Applications) redemptions of restricted cash	41,086	(19,662)	n.m.
Net cash used in investing activities (b)	(102,496)	549,874	n.m.
Cash flow from financing activities			
Proceeds from loans and borrowings	1,294,711	2,378,671	83.7%
Loans paid to related parties	(27,127)	(47,819)	76.3%
Repayment of loans and borrowings	(520,174)	(2,191,672)	n.m.
Exchange differences on conversion of foreign loans	-	(521,391)	n.m.
Dividends paid	(377,500)	(645,384)	71.0%
Lease paid	(11,519)	(19,262)	67.2%
Capital increase	37	47	27.0%
Derivative financial instruments paid	(272,182)	(251,659)	(7.5%)
Net cash from financing activities (c)	86,246	(1,298,469)	n.m.
Foreign currency translation adjustment	3,611	(5,390)	n.m.
Increase in cash and cash equivalents (d) = (a) + (b) + (c)	1,172,628	784,222	(33.1%)
Cash and cash equivalents at the beginning of the period	1,719,194	1,374,855	(20.0%)
Cash and cash equivalents at the end of the period	2,891,822	2,159,077	(25.3%)



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