



1Q23 Teleconference Transcript - Cosan Earnings Results May 16th, 2023

Good morning everyone and thank you for participating in Cosan's earnings conference call for the first quarter of 2023.

We started the year with strong results in the portfolio, with contributions from all businesses.

Let's now go through the main financial and operational highlights of each business, starting with **Raízen** on **slide 3**.

Slide 3 – Raízen

Since this quarter closes the 22/23 crop year and Raízen has already held its conference call, I will focus on the highlights for the year.

Raízen ended the crop year with expansion in all segments, achieving record global income and adjusted EBITDA of R\$15.3 billion. The year was also marked by the focus on operational excellence, continuity of the Renewables expansion cycle and record E2G production in the pilot plant, reaching 30 million liters.

In the Renewables segment, EBITDA increase reflected the sales expansion, highlighting the increase in global customers for both industrial and fuel applications. We have also significantly advanced in the Power agenda. We became the 5th largest energy trader in Brazil, with more than 24 thousand connected customers.

In Sugar, the year's result was boosted by the greater volume sold with higher prices, due to better pricing amid a more positive scenario for the commodity, which compensated the pressure on margins due to higher costs.

Marketing & Services EBITDA also presented growth, considering the impact of the tax credit in the period. In Brazil, sales remained stable and the operation was affected by better operational margins, besides pressures from business environment, due to greater supply of products on the market and inventory losses. In Latam operations, the year was marked by an increase in volume, market share and profitability, despite a complex macroeconomic scenario and the scheduled stoppage of the refinery in Argentina.

Let's move to **slide 4** to present **Rumo**

Slide 4 – Rumo

We had a quarter with growth in EBITDA and margin, due to the increase in yields, reflecting the greater competitiveness of the railway modal. The transported volume, on the other hand, decreased mainly due to a higher frequency of criminal incidents in the

Baixada Santista region, that have already been controlled by the public authorities. Despite this drop, as already published, Rumo had a record volume in April, a 30-day month, showing the efficient use of the company's capacity. The strong crop will allow Rumo to capture solid transported volumes during the coming months this year.

It is worth mentioning that the Mato Grosso Expansion project is on schedule and on budget, as already highlighted in Rumo's conference call.

Going now to **slide 5** to talk about **Compass**.

Slide 5 – Compass

We had another robust operational and financial quarter, with EBITDA growing 36% above the same period last year.

All of our natural gas distributors companies performed strongly, despite the downturn in industrial activity. This reflects the continuous work on mix of segments and efficiency driven by Comgás and our new assets - Commit and Sulgás.

In the residential segment, there was intense work on expanding connections. There were more than 160 thousand in 2022 (which is equivalent to 400 new ones per day!), made with great operational efficiency using technology and solid processes.

Commit's consolidation work continues at full speed, and this quarter we began to see concrete results from the new business model. We can highlight the expansion works of Sulgás in the region of Gramado-RS. The concessionaire is about to complete the connection to the city, which until now has not been served by natural gas. It is yet another competitive supply alternative being offered to the region, with high growth potential.

The construction works of the São Paulo Regasification Terminal continue to advance and are close to completion, with the start of operations scheduled for the second semester of 2023.

Despite the negative effect of the STJ's decision on the tax benefit that impacts Comgás' accounting net income, Compass' portfolio has levers to preserve its ability to grow and distribute dividends to its shareholders during the 2023 financial year. In addition to prior year profit reserves, Compass remains capitalized after the disposals of equity interests carried out in 2022, and the divestment process in 5 distributors is still ongoing, in accordance with the portfolio management strategy. Compass also has other assets that continue to grow, such as Commit and the Marketing & Services segment.

Let's go to **slide 6** to talk about **Moove**.

Slide 6 – Moove



At Moove, this quarter the EBITDA was leveraged by the increase in sales volume in its operation. We grew 1.4 p.p. of market share in Brazil, when compared to the same period of the previous year, reaching a participation of almost 20%.

Global growth took place while preserving the EBITDA margin of more than 10%, reinforcing the Company's assertive commercial and supply strategy.

It is worth mentioning that the result was also impacted by the consolidation of PetroChoice and Tirreno – acquisitions made in 2Q22, and both grew versus the same period last year.

Finally, we remain focused on the integration of PetroChoice, which is proceeding as expected and is in line with our international expansion strategy.

Moving on, **slide 8** shows the **Land segment**.

Slide 7 – Land

The Land segment reflects the agricultural property management business, represented by the Company's direct stake in Radar, Tellus and Janus. In order to provide more transparency about this business, this quarter we made a more detailed section in the earnings release.

1Q23 EBITDA presented relevant growth of almost 4 times compared to 1Q22, explained by the first full quarter of Tellus and Janus consolidation.

The Land portfolio ended the quarter with around 318 thousand hectares of owned land with a total market value of R\$14 billion, which means a market value for Cosan of R\$4 billion, adjusted for our respective stake in each fund.

The main crops are Sugarcane and Grains and Fibers, which represent 98% of the market value of the portfolio, which is predominantly located in the Southeast, Northeast and Midwest regions.

We can go to **slide 8** to talk about **Vale**.

Slide 8 – Vale

On this slide we present the effects of the acquisition of a stake in Vale had on Cosan's results.

In this quarter we received R\$402 million dividends from Vale related to our 4.9% stake, which had a positive impact on our EBITDA. Of the amount received, we transferred R\$215 referring to the adjustment of the costs of derivatives to the banks involved in the operation, impacting our financial expenses.



Considering the price movement in the period, the derivatives MtM impact on the result was positive and the shares was negative, as shown in the graph on the slide. The net result in this quarter of all transactions related to Vale's structure was negative R\$ 207 million.

In addition, Luis Henrique was elected in April as an independent member of the company's Board of Directors.

Let's go to **slide 9**, which shows Cosan Pro forma results.

Slide 9 – Cosan Pró-forma

At Cosan Corporate, operating expenses, excluding receipt of dividends from Vale, increased due to the exercise of long-term compensation plans.

In the consolidated results, the increase in pro forma adjusted EBITDA was driven by solid expansion in all segments.

Net income for the quarter decreased, due to the negative impact of mark-to-market update of Vale and Cosan's shares due to the total return swap, in the financial result, and due to the impact of the provision related to the exclusion of the Tax on the Circulation of Goods and Services (ICMS) benefit in the Corporate Income Tax (IRPJ) and Social Contribution on Net Income (ICSS) calculation basis, recorded until then at Comgás and Moove. It is important to highlight that these are non-cash effects.

Recapping the tax incentive history.

- 1) From the beginning of 2021, these companies began to recognize the exclusion of tax benefits from the Corporate Income Tax (IRPJ) and Social Contribution on Net Income (ICSS) calculation basis, in line with the opinion of their external legal advisors and based on all the prevailing jurisprudence at that time.
- 2) In March, 2022, the first panel of Superior Court of Justice (STJ) reaffirmed their understanding establishment of 2017 about the non-application of Corporate Income Tax (IRPJ) and Social Contribution Net Income (CSLL) on presumed ICMS credits. There was over 50 decisions in that sense.
- 3) A month later in April, 2022, the second panel of the STJ decided otherwise, unfavorable to taxpayers. Since then, we have reclassified the probability of loss from remote to possible, as disclosed in the financial statements since 2Q22.
- 4) More recently at the end of April, there was a trial at the first panel of STJ with an unfavorable result for taxpayers. In view of this, the Company decided to set up a provision for the amount used – approximately R\$ 1.5 billion. Bear in mind that the provision in this quarter has a non-cash effect.

Having said that, I want to reinforce a few important points:

- First, as you can see in the Financial Statements, the recurring results of Compass and Moove, companies that were affected by the provision, remain robust and growing;
- In addition: So far, the STJ judgment has not been published, that is, although we have made the provision for all the past effects, we need the judgment to conclude on the applicability and the real impact in the companies;
- Finally, in addition to the possibility of appeals by the STJ and that matter can be analyzed by the Federal Supreme Court (STF), Cosan group is willing to work with the authorities to address the past issue fairly and considering the central purpose of the tax benefit, that was to stimulate investments that were made diligently by the companies.

In any case, we will keep the market informed about developments in this matter.

Moving on with the presentation, regarding Cosan's consolidated investments, we had an increase compared to the same period of 2022, which is mainly explained by the expenditures at Raízen with E2G, Rumo with Mato Grosso Extension project and Compass based on business planning and in line with their guidances.

Let's go to **slide 10**, which shows our group's financial highlights.

Slide 10 – Cosan Pró-forma – Financial Highlights

Regarding the indebtedness, the reduction in gross debt is explained mainly by net amortizations at Raízen.

Highlighting our capital allocation agenda, during this last quarter we resumed our movement of increasing the total return swap position of Cosan's shares.

Leverage was 1.7x, adequate level for the Company, and its reduction of 0.3x compared to the same period of 2022 is due to the increase in accumulated EBITDA in the last twelve months, in addition to reducing net debt, mainly due to the cash flow generation at Raízen. If we adjust the effects of the stake in Vale acquisition, the net debt/EBITDA ratio would be 2.1x.

Cosan has a comfortable debt principal amortization schedule, especially considering the flexibility and optionality that we have in the financing structure for the acquisition of a stake in Vale. The duration of our debt is approximately 5 years.

Even though it is not related to the first quarter, I would like to reinforce other subsequent events.

First, we approved at the Shareholders' Meeting the distribution of R\$800 million in dividends, which will be paid on May 31st.

We also had the election of the Board of Directors members, which I would like to highlight a change in the composition, now with 50% of independent members, including 2 women – which reinforces our evolution in the governance and diversity agenda.



In addition, we had the issuance of a debenture in the amount of R\$ 1 billion with payment of the principal bullet in 5 years, showing the company's access to liquidity and allowing the increase in the debt duration.

Before closing, I want to go through our ESG agenda on **slide 11**.

Slide 11 – ESG

In March, we signed the letter of commitment to the 100% Transparency Movement, an initiative of the UN Global Compact Brazil Network that works to engage companies in combating corruption, which reaffirms the Company's position of adopting the best corporate governance practices.

Regarding our business, both Rumo and Compass published their 2022 Sustainability Reports.

Among Rumo highlights, we had the expansion of energy efficiency in rail transport and the mitigation of climate change-related impacts, in addition to safe railroad operation.

Compass brought several achievements such as the review of its ESG strategy and the definition of public commitments to be met by 2030, in addition to the milestone of 36% of leadership positions being held by women in the company's businesses.

Still in relation to ESG, we will soon publish Cosan's Sustainability Report, which will bring important advances in this journey.

Finally, I would like to invite everyone to participate in Raízen Day, which will take place on May 24th, and inform you that our Cosan Day will take place on September 12th.

With that, I finish my presentation here and we can start the Q&A session.

Thanks.

Q&A

Pedro, BTG Pactual:

Good morning, everyone. I have a couple of questions for Luis Henrique. They are about Vale.

Could you give us some more color on how much you would say you are devoting your time to Vale? What was the situation you found at the company like? How different was it to what you imagine when you acquire the asset?

And another question on the same topic is, have you got any additional information for us about the 1.6% additional stake that could or could not have been exercised? Have you made any decisions on that? Thank you.



Luis Henrique:

Thanks, Pedro, for your questions.

Considering what we shared with you when we made the investment, one of the main points was to be part of the Company's board with other board members and shareholders. So, I am very happy because the Company led this initiative very well.

The Governance committee did it very transparently, very clearly. There was a Shareholders meeting and there were no major issues, and in my opinion, in our opinion, we have elected some very solid members of the board with diversified expertise.

So, I have been a member of the board since the first of May and what we will do from now on, we will be sharing with you. On the Sell-side by side we have Leo Pontes, who is responsible for Cosan's investment in Vale and will cover shareholders' issues.

That is important to make everything clear about governance. And my role as a member of the board and the Company's opinions with regard to that will be exercised by the person who manages that investment, which is Leo and Company issues will be managed by the Company itself.

But generally speaking, we are very excited. We are still very excited. This is a very important stage for us. Having a board and a team working together and to have the privilege of being part of that, and to make sure that we are all working for the best and to generate value for the Company.

So, in short, nothing has changed in terms of our conviction of when we made this investment six or seven months ago. Now, as a board member, we will have the opportunity to make closer contributions to the management together with other members of the board.

Right now, about your second question, we are very happy with the 4.9 that we have currently, and as we said, from the beginning, our position includes different optionality triggers among which will be proving our thesis along the way. And there are stages still to come.

So far, we have kept with the stages we had proposed and we will be part of the board, we will be part of other committees that will be set up by the board and we will be sharing that with you over the coming days. Thank you.

Guilherme Palhares, Bank of America:

Good morning, thank you for taking my questions. We have a couple of questions.

A little more on the financial side, Lewin, you talked about the provisions for this half of the year and looking forward, what are those reserves like? What can we assume and what are the implications of that on the dividends flowing from Comgás all the way to Cosan, considering the Supreme Court of Justice's ruling? Could we say that the Company would rather pay taxes on full results considering the tax benefits instead of creating that legal reserve for the tax benefits to make sure that those dividends continue to flow all the way up to the holding level?

And the second question is about the dividends flow as well. To understand those dividends you have received from Vale, from Raízen this quarter. How much of that has

gone up to the holding so far? And how much of the subsidiaries are under Cosan Oito or Nove, which are the main ones to be affected by that? Thank you.

Ricardo Lewin:

Thank you for the question. I will start with the second one.

Actually, Vale is very clear. We received about 400 million, 215 of which were passed on to the banks that were part of the operation structure. Why? If we had kept the dividends, then the strike price would have changed, as in the theory, there would be a change in the strike price of the derivatives. So we prefer to pass that on to the banks and to keep the strike prices of the derivatives the same.

In terms of the preferential, there is a grace period of six months in which dividends pay out. So dividends will flow up to the two holding companies, Cosan Nove and Dez. But they have not gone all the way up to the holding companies.

So all dividends have stopped at Cosan Nove and Dez.

With regards to your first question, It is interesting because our intention is to go back to the way things were before 2021 when we took advantage of these tax benefits. That is what everybody was used to seeing at Comgás and we believe dividends will flow as per usual.

Obviously, if the tax benefits can not be used, then there will be an effect on the dividends going up. But the idea is to continue to take those dividends up, respecting the tax benefits decision because we need to pay for our preferred structure for Cosan Nove and Dez, and to take up the dividends to the holding company in order to pay for the principle and interests.

I hope I have answered your questions, but if you have any more, please feel free to ask them.

Guilherme Palhares:

Yes, that was very clear, Lewin. Thank you.

So let me just make sure I got it right. The dividends flow will continue. And at the same time as we look at the dividends, dividends have stopped at Cosan Nove and Dez turns from Compass.

Ricardo Lewin:

Actually, let me take this opportunity to reiterate this because I think it is important to all investors.

These tax benefits and provisions will not affect Comgás' fundamentals. Comgás has always been a strong dividend payer. The business has been growing in terms of volume, in terms of sales mix. And let us not forget that it has a very strong portfolio with Commit, Sulgás, as part of the portfolio.



And as I said during the presentation, there are many dividend payout levers that can be used inside Compass. I just wanted to reiterate that as a segue. Thank you.

Luis Carvalho:

Good morning. Thank you for taking my questions. I also have two.

Last time we spoke in person, Luis, at the end of last year, you talked about many of the group's challenges, you addressed those.

If we look at all the Company's projects, there are many relevant projects. The challenge at Vale, Rumo's project at Compass as well, and Raízen. You mentioned that the Company's main challenge was to deliver on all these projects on schedule, on budget and with quality. Could you update me on what the priorities are right now? What are you and your executives devoting most of your time to, and what are the main challenges you see as part of this process?

Second question is on a macro level. It has been about five months of this new administration and I am not about to ask you a political question. But there have been some discussions on the tax framework.

So what part of that tax framework will make a contribution? We will have a contribution from the private sector. So we have seen a tax on oil exports. We are also seeing more appetite on the side of this administration to tax things. There are ongoing tax negotiations.

So I would like to hear from you about key topics, such as the Subida da Serra discussion, royalties on mining.

How do you see this macro scenario? And what kind of an impact if any will it have on the group's companies? Thank you.

Luis Henrique:

Those are great questions. I will start by talking about our projects and our time allegation because that is very relevant. As you know, we have shared with you over the past few years, we have reiterated the importance of the partnership among the group's executives and the connection with our chairman, the founder and shareholder of the Company to create the ability to continue to take leaps, both in terms of the sizes of the operations and opportunities. To complement our portfolio in the five areas that are key to this Company to the future of Brazil and the world.

As you can see in terms of becoming a member of the board, I have left Rumo and Compass and Leo Pontes has taken on that responsibility. So he is devoting some quality time to that.

All of us, myself, Rita and Leo are required at the holding Company. And Musa, Nelson, Felipe and Beto at the companies, to make sure that we have the right time balance. Obviously supported by Marina, Lewin and Paula, playing their own roles.

So we have rebalanced that in order to free up some time, so I can devote more time to Raízen and to Vale. Obviously always looking at Moove`s international expansion and providing support to Leo at Cosan`s investments. But myself, Marcelo and Leo have rebalanced our time so that we can devote more time and energy to each of our investments.

As to your second point about the projects, they are on track. Obviously, you know that, we spoke to you, but I will reiterate it. Engineering is still a challenge in Brazil. The installed capacity in this country for work is a challenge. So we are using different strategies in our projects.

Obviously, major construction companies that were around in the past have been greatly reduced and so has their capacity. So there are a number of companies of different sizes. Some of which are local, they are sharing projects, which means it requires more management effort on our side. But that is a combination of risk, cost and return. So we have been able to make progress on our three main projects: E two G, the Regas Terminal in Santos and expanding the North network in terms of size and complexity.

But they are moving forward considering that challenge. There is no surplus capacity in terms of engineering, execution. Sometimes something as simple as soldering something, welding something...

But we do have a very solid team. We are dedicating specific resources to that, to make sure that we are supervising things closely, as Bresler, at the Santos terminal. We also have a dedicated team, which Beto has allocated to the expansion of the North network. And Musa is fully focused on managing multiple sites.

So, we have an eye on all of these three projects. If you look at them in terms of sales, E2G has contracts. At Rumo we have annual contracts, but there is a clear demand, there is capacity and as for the Regas terminal, there is a contract to supply three million cubic meters with Comgás.

So the challenge is the execution for them to be ready on time and ready to meet that demand that will help us with monetization. As you know, in terms of cash generation, these are very important projects, because once we have the Capex for the E two G plans or the Terminal or the North network, then cash generation and the conversion from EBITDA to cash is quite strong at all of them without any major recurring costs or Capex.

So as of 2024, in terms of value and leveraging, we have a great trajectory ahead of us.

That is the priority, nothing has changed. We are on track, but we are always concerned with making sure that our partners, our team and our suppliers have their eye on the ball and are delivering.

From a macro point of view, obviously, it has been five months and it has been a significant administration change, I would say. This new administration has chosen to replace a great deal of people at the ministries, which led to a slowdown and challenges.

So our main concerns and what we see as positive. In terms of concerns, there are questions concerning legal security, especially with regards to taxes. That is a key topic. There are some major discussions going on in Congress as we speak, in terms of cost, and many other topics such as structural points of the tax reform, the transition of tax credits.

Brazilian companies have a considerable asset in terms of tax credits, in the terms of PIS, Cofins, ICMS. So it needs to be looked at very carefully.

The Minister of Mines and Energy and the Minister of Finance have already talked about how to use tax credits and debits from the Federation's balance sheet to encourage investments in the green economy. And we think that is very positive. They are being inspired by the American IRA and the Green Deal in Europe.

So we are already seeing some signs from Minister Alexandre Silveira and Minister Haddad. We believe that would be extremely positive for Brazil.

How can we use this tax, this function, and associate that with the VAT to a better direction? And to use those rights and responsibilities to encourage the green agenda. That is a very positive agenda.

In terms of the framework, the wording was published last night. It is hard to express an opinion on it, but it is better to have some kind of Compass than nothing.

So I think it is positive. You have seen the future interest curve coming to an interesting outcome. The Real is appreciated in terms of foreign exchange.

It is too soon, but my concerns are basically to make sure that this administration will ensure legal security, because some past issues may lead to insecurity. We would not like that.

And also we must recognize this country's green opportunity. The President and the Ministers must do that. That can lead to different licensing agendas, not only for mining but for oil. I think the government needs to really go from words to practice and create responsible and sustainable mechanisms that will unlock Brazil's potential.

I think there is good intention but it needs to be put into practice, and to take the tax reform forward so that it can simplify and use this huge asset as part of the government's balance sheet. R\$0.8 trillion worth of credits and R\$2.7 trillion worth of tax disputes that could be turned into investments and encourage major private investments.

I think we need to keep an eye out for these tax issues. There are positive signs in terms of expanding the green agenda, which will drive a lot of our investments.

And now, with all these new members in the new ministries, in our case, the Ministry of Mines and Energy and Transportation, so that our gas infrastructure, mining and rail agendas can move forward and unlock Brazil's huge potential.

As you know, it requires a lot of discussion, we need to be present, discuss. But the role of the private sector associations and businesses is to make a contribution with concrete proposals. It is not just about raising issues. We also need to make concrete proposals. That is what our institutional relations team has been doing. Myself, the chairman and our shareholders are taking part in an open discussion about this country's future opportunities. Obviously always trying to create a regulatory environment and legal security in order to attract investments. We also need foreign investments together with local investment so that we can move this agenda forward.

Luis Carvalho:

That is very clear. It was almost like a lesson. Thank you so much.

Gabriel Barra, Citibank:

Hello everyone. Thank you for taking my questions. I have a question and two quick follow up questions.

First question is about what we have been talking about in the market about Cosan. We have been seeing major changes in the Company since the corporate structure was simplified, The capital allocation, your investment in Vale. And one of the things we have been discussing is your portfolio. Please correct me if I am wrong, but it is a long duration portfolio, with major investments being made now that we have higher interest rates.

One of the things that we have been discussing is the Company's consistent revisions to its portfolio. So could you share with us what you have been discussing at the Company with regards to that. The IPO window is slightly tighter this year, there are some uncertainties. The market is a bit tougher.

How could we possibly think about that portfolio management via private placement, as you did at Compass, or maybe a direct MNA investment through a player. What have you been discussing at the Company for this year? It would be great to hear about that.

And the two follow up questions are, first about the 1.5 billion provision, a couple of points. I would like to clarify the impact of that looking forward. What will be recurring out of that 1.5 billion looking on a monthly basis or an annual basis so that we can understand the impact on results and the monetization of that impact. As you said, this is not a cash provision, it is an accounting provision, but it might become cash at some point. Do you have a timeline for that?

And, on Compass, could you talk a bit more about the decision? Are you talking to the regulatory agencies? A lot has been discussed about transportation, gas pipes or distribution gas pipes. If you could give us some color on that, that would be great. Thank you.

Luis Henrique Guimarães:

Thank you Gabriel. I will start with the last one and then I will turn it over to Lewin.

The discussions among the regulatory agencies are still going on. ACESP in Sao Paulo and ANP in Rio. They are discussing a harmonization process and they are trying to come to a definition based on everything that has happened. The legal proceedings, public hearing about the investments and the gas issues of the decrease.

There are no updates. The agencies are working hard on it and they are working responsibly on it to try and find the best solution.

The whole investment and construction process has been conducted by the Company as was announced in the tariff review in 2019. So the Company is in compliance with everything that was agreed on in terms of regulation processes. Obviously, now the terminal will be concluded in the second half of the year.

That is another important piece of the state and national optionality of supply. It will increase competitiveness, it will encourage the free gas market. So we are confident that both agencies are competent and responsible, and they will look at Brazil as a whole to deal with these infrastructure challenges we have in Brazil.

Everything in Brazil takes a while to be conceived, implemented and built. And Comgás and Compass are role models of companies in the gas industry that have been making relevant investments and positioning themselves. So as to make sure that their clients and as a consequence, the gas market, always goes in the best direction possible.

So, no material news to share with you. We just believe these conversations between the very competent agencies are very important.

As for the portfolio, you are absolutely right. We constantly discuss that Compass and Moove will always be ready for IPO or private placement moves. Our teams are very sharp.

I do not know if you attended the conference in New York last week, but Moove was there as part of the held companies to be in contact with investors to share their case, to listen to the market.

So we are very confident, given the quality of both assets at the right time... Obviously, there is the use of proceeds for the business and we will be ready to do it whether it be through the traditional market, via IPO, or via private placement.

But the main point about the portfolio is that debate within each company. Marcelo, Lewin, and myself have been keeping you up to date. Each company has in its portfolio assets that can be monetized, because they provide more value to third parties.

And it is our clear intention to monetize them to improve the Company's capital structure, so as to make more profitable investments. I always like to use Rumo's terminal as an example. But there are other opportunities at Rumo, at Raízen and at Compass, as Levin mentioned during the presentation.

We are still divesting from five gas distribution companies, which will happen. So, it is a clear fact that we will be generating additional funds through divestments. Whether it be by attracting partners to the companies at the top, wherever it makes sense, or by selling full assets or partial assets at the bottom, as we have done and will continue to do if we believe those assets are more valuable to third parties. Or if we should monetize them as is the case of Rumo to expand the North network so that it can fit properly within our financial and value structure.

As for the provision, just to reiterate what Lewin said, this is a right. When we made the decision, it was based on legal advice, jurisprudence. Obviously, there was a change that took place in the following weeks, but we will continue to pursue our rights.

This is a solid right, more than a thesis. We have done our part and we will continue to monitor the situation. You know us, from accounting terms we needed to set up that provision, because in legal terms things have moved forward. So the right thing to do is to set up that provision and to be transparent with you.

But we do not have a timeline, we do not have a monetization schedule, because as we said, we will pursue our rights through all means available whenever we believe they are still available to us.

So we will continue to discuss the issue at the many different forum that are available to discuss it.

Ricardo Lewin:

It is important to say that there have been no losses. We will not have an upside that we used to have from the additional credit that we used to take out. So, considering Compass and Moove, we are talking about roughly R\$200 million a year at the Companies. Then you need to do the math to go all the way to Cosan, because the cash impact on Cosan would be less than that. Not in accounting terms, cash impact.

And just to reiterate what Luis said about monetization, the Supreme Court of Justice has not made a ruling yet. So it is hard to know what will actually materialize. So our Legal Council is monitoring the situation and we will share any news with the market as soon as we have it.

Bruno Montanari, Morgan Stanley:

Good morning and thank you for taking my questions.

If we can go back to Vale, please. We know that this is a long duration structure. It is well protected with derivatives. But could you give us some idea about what you see happening over the years to make the decision to convert that into an effective stake and outside the derivatives or unbundling the operation?

What are the decision making factors that you will consider over the years so that this investment can be realized?

Second question is, could you give us some more color on the final stages of the Regas terminal? And what will be the early ramp up for this project? Thank you.

Ricardo Lewin:

With regards to Vale, as we have been saying since October last year, when we made the announcement, it will be to check if our value unlocking thesis come to fruition, and as a minority shareholder at the company, we are in constant dialogue with the board, with other shareholders, and that will take the Company in the direction that will unlock the most value potential.

It is a different model to what we have done in the past. Control or co control, as is the case of Raízen. But given the size of the Company and the size of the opportunity, in our opinion, we had to choose a different tack to work collaboratively and to align our objectives for the Company. And to see if that will work, and if production value generation through agreements that need to be signed, progress, also value generation through new technologies.

There is a whole set of attributes that the Company does have, based on the quality of the assets and everything it has to offer.

So we will see if they evolve at the speed we believe they can as investors, obviously not as members of the board. So we have the option to do that. If they do, then we will turn that into a direct stake, if not we will take the required time and then we will undo the operation.

As for the Regasification terminal, as I said, the latest good news is that we have drilled on both sides to connect the terminal underwater all the way through to the coast until the receiving point, which is the integration gas pipe connecting the terminal to the city gate.

That is a key stage and it was concluded a few weeks ago. So we are now moving to the final stretch. We will be commissioning it in the second half of the year and the ramp up stage will start at the beginning of next year. So that will be the agreement with Comgás. And Compass's team is negotiating with other clients, free clients, other gas suppliers, other trading companies, so that we can ramp up the terminal based on our optionality agreements at the end with the product availability.

Everything is on track. This drilling was a bit harder than we had expected in terms of geology. But projects like that are always the same. There is always a surprise.

But we did have time available in terms of monetizing part of the contract. That happened in that period, whilst it is still not in operation and the physical ramp up will begin at the end of this year, beginning of next year.

We will be using the second semester of this year to run tests, configurations to train the team and to commission, so that it can deliver on Comgás' contract, which is key to complement the offer and for Comgás to comply with D24.

André Vidal, XP:

Good morning, everyone. Thank you for taking my questions. The first one is to Luis.

The market has been saying a lot about potential Petrobras changes in the last two weeks, in terms of derivative pricing. Today, there was an official announcement of the new policy. At the end of the day not much has changed, but not many people talk about gas and that is another topic the government has been talking about. It has been saying that it wants to use Petrobras to reduce the price of gas in the country. And it is much harder to have a gas benchmark in the market than for diesel or gasoline.

How do you see the possibility of petrobras reducing the price of gas? And what kind of benefits and risks do you see on Cosan's different businesses?

My second question is to Lewin. How do you see the Company's need for funding? In our opinion, and please correct me if I am wrong, you have raised the benches in 2023. So everything seems to have been addressed. But in 2024 maybe to address Vale's maturing installment, you may need to raise some funds in the market or to sell assets.

How do you see the Company's need for funding over 2023 and 2024? That would be very helpful. Thank you.

Luis Henrique Guimarães:

To your first question, there is not much to add then what we have heard from the company itself and what they have said to the press.

It is always a controversial subject and it needs to be translated into practice, into a pricing policy that will allow Petrobras to send a sign to the market as to what the model will be.



Minister Alexandre Silveira wants to grow the gas market and has captured Brazil's potential in that segment from the Pre-Salt. The challenge now is how to turn that into a pricing policy. You always need to instruct the market because if you do not, it will not encourage investments.

We do not believe in miracles. So they need to make sure that there is the right infrastructure for transportation, distribution.

The LNG pipes need to be created along the Brazilian coast to provide options, flexibility and competition.

If you consider import prices and opportunities in the market, we went through a war last year. The market is only now getting back to normal. People are thinking "prices are going to be terrible, It is never going to go back to normal". There are cycles, sometimes prices are competitive, sometimes they are not and the infrastructure is created so that you have options, so that you can ensure supply to your clients and value generation optionality, so that you can move margins and optionality posed by the market.

I feel very optimistic when it comes to this whole conversation about gas. The secretaries, the Ministry of Mines and Energy, which has made this topic a priority. And Petrobras will, at some point, have to define something as they had done for diesel and gasoline.

They are saying they will compete with the best alternative for each of these supply areas, which in my opinion is the right way of looking at it.

Each administration will have their own mechanisms and it is an important position for distributors because, in this case, we offer service optionality. But we do not run the molecule risk, which is great because it means we can make the most of opportunities as they appear. At Compass there are molecule opportunities, parachute opportunities from suppliers, from clients. That is the beauty of being involved in fuel and gas distribution, in our opinion.

Ricardo Lewin:

Hello, Vidal. You saw that we issued a five year venture with a bullet principle worth R\$1 Million. That was about two or three weeks ago. And the clear message here is that we have not exercised any firm bank guarantees, everything was done through the market. So it goes to show that the companies have good credit, a good debt profile and therefore access to liquidity.

We shared a debt amortization chart with you, during the presentation. This year, we have R\$600 million of the principle to be amortized. And in addition to that, there are the second RLOG debenture installment and the Vale installment.

The first point is that we have set up this finance structure because it reinforces our flexible structure and it gives us optionality. This structure can be brought forward if the time is right or it can also be delayed if it is convenient when amortization time comes.

There is a lot of flexibility, there is no pressure in 2024. But obviously, we want to have options.

We want to have the optionality, and to do that we have some capital sources as we said during the call about Vale. The first one is the lab management through the local market



or the external international bond market so that we are ready whenever there is a window, we can access those markets.

The other alternatives, as Luis said, are that companies are constantly looking at their portfolio management so that they can invest and pay out more dividends.

A classic example of that is the sale of 80% of T16 and T19 at Rumo.

And if there is a window, we might do our portfolio management at our main portfolio as long as we do not lose control over any of the companies.

But I just want to reiterate that the structure that we have set up allows us not to be pressured by the market.

Regis Cardoso, Credit Suisse:

Hello, thank you for taking my questions. I will try to be objective.

Could you give us an update on Compass, especially Commit? What kind of potential have you mapped to replicate Comgás' experience, the different regulatory frameworks? If you could give me a general update, that would be great.

And what about the other distribution companies as well?

And a follow up question about ICMS and the provision, just to make sure I got it right. The recurring effect, looking forward, will be 0.2 billion on a pretax basis.

And also about Vale. That 1.6, would not it make sense to convert that into a structure that will give you the right to vote? And considering the cost difference between the two structures.

Still about Vale, considering the color maturity in 2024, is renewing that structure a net cost or net premium? Because I got the impression that you were giving up on an upside at a higher price and you would only make something at the top range, and sounded like it was a net premium as a receivable, not payable. So what is the instrument to roll over that instrument, if required?

Luis Henrique Guimarães:

So an update on Commit and then I will talk about the 1.6 and Lewin can talk about the ICMS, the provision and the maturity.

Everything goes well at Commit, we have all the teams in place. Obviously, they are different models in the different geographies.

We have Sulgás and we have the other distribution companies, which have the state's stake involved. We have been welcomed by Mitsui and in all the states where we are present, we do see a clear potential that we mapped when we made the acquisition to grow among the residential and commercial segments, and considering the regulatory framework.

And that is reflected in the Company's figures. Their ability to solve existing problems in the many different states pending issues with clients.



Regulatory issues are all being addressed by Commit's team. And, obviously, the opportunity to replicate the technology model to reduce the cost of connection by using more modern material, different methodologies, suppliers, and safety practices.

We are very confident and very excited.

Realities and speeds will be different depending on the corporate structure we have at each of the companies below, but so far so good.

I think this quarter's results were very good. The profitability is in line. Actually, it is above our business case when we approve the investment.

Considering the Company's spinoff and exercising our preference, our idea is to conclude that divestment, still in 2023. It is not just up to us, but it is part of our portfolio management to monetize these five distribution companies.

As for the 1.6, if we convert that into a different structure, then it will become a debt. And right now, we are carrying a smaller debt than most of you had projected when we made the acquisition.

We do not think now is the right time to do it. We feel comfortable with 4.9% from an economic point of view with other shareholders.

As I said, so far so good. We will continue with our 4.9% because we do not want any more debt pressure and we believe that to be a comfortable position right now on all aspects: economic, governance and stake.

Ricardo Lewin:

Hello, Regis. I will start with Vale's structure. If we want to renew that, there is a negotiation of the strikes. We could keep the same strike values, but it might generate a premium to be paid or received depending on the market.

I could not tell you now whether that is a net cost or net price.

There will be a premium to be paid or received depending on what the market looks like down the line.

What we are renewing is the financing. And in order to be a risk free operation, the put option net present value is the value of the debt. So they will be making that adjustment.

In terms of the provision, you are talking about the 200 million recurring effect. Yes, that is precisely it. But as I said on a different question, it is not that we are giving up something. If you look back, we did not have that benefit. So we are not using that benefit anymore.

So the 200 million is not before tax. It is the tax. So it is 200 million. And let me take a wild guess. Let us say it is roughly 150 to 180 at Compass and the rest at move. But that is at the company base. As I said, the cash relates to Cosan. You need to do the math to get to that. This is the consolidated accounting effect on the companies at the top.

Operator:

The Q&A session is now concluded.



Ricardo Lewin:

I just want to say thank you to all the South side investors for joining us. If there is any news, we will be sharing it with the market. Otherwise I will see you during the next earnings call.

Thank you and have a great week.

Operator:

Cosan's 1Q23 earnings video conference is now concluded. For further questions. Please contact the investor relations department. Thank you so much for joining us and have a great day.