



## Conference Call

### COSAN 2Q21 Earnings Results August 16, 2021

Good morning everyone and thank you for joining Cosan's second quarter of 2021 earnings conference call. Today with me I have Luis Henrique Guimarães, our CEO, Paula Kovarsky, head of IR and ESG, and João Arthur Souza, finance director.

#### **Slide 3 – Corporate Structure**

Before going into the results, I just want to highlight some important milestones that we achieved these past months, on **slide 3**. We always said that we wanted not only to have one single holding company listed, which we accomplished in the beginning of this year, but also that it makes sense for Cosan to have its subsidiaries listed as well, at the right moment. So successfully pricing Raízen was yet another very important step towards the ideal capital structure for the group. This will ensure the required level of independence that will allow the company to accelerate its long-term investment plan to increase the offering of renewable energy. Another important achievement was signing an R\$ 810 million private placement at Compass at the end of May, bringing new investors who share our long term view into the Company, and preparing it to capture opportunities that may arise, while maintaining adequate levels of leverage.

Let's now go over the financial and operating highlights per business, starting with Raízen – which also implemented its own corporate restructuring, officially becoming an integrated company from this quarter on.

#### **Slide 4 – Raízen – Renewables**

Since Raízen hosted its own conference call with the market last Friday, I will briefly go over the main topics of the quarter.

Starting with **Renewables, on slide 4**. We presented excellent performance, and Adjusted EBITDA more than doubled year on year, ethanol being the highlight.



Despite the lower production, due to the drier weather and to sugarcane harvest being a couple of weeks late, higher biofuel prices led to an increase in own sales volume; allowing us to capture a significant improvement in returns.

#### **Slide 5 – Raízen – Sugar**

Moving on to **Sugar**, on the next slide. This quarter we saw a similar dynamics to that of renewables, focusing on maximizing profitability of the portfolio. Raízen posted greater sales of own sugar, supported by the commodity upcycle and by our strategy to increase our presence across the sugar value chain. The higher prices recorded this quarter are proof of the efficacy of our pricing and hedging strategy. Therefore, Adjusted EBITDA came in more than twice as high.

At the bottom of **slide 5** we present the consolidated CAPEX of Raízen's agro-industrial operation, in line with the plan. Quick disclaimer here. The crop setback effect on Raízen was lower than the market average, since we keep advancing on our journey to capture efficiencies, and to recover agricultural yields. This also offset inflation and lower dilution impacts on unit costs of the period.

On top of boosting profitability, higher sugarcane availability – and therefore biomass - will allow us to maximize Raízen's long term strategy of reshaping the future of energy. Aligned with that, we achieved important goals recently, with the successful closing of the Biosev acquisition (not yet reflected in our financial statements) and the announcement of our second E2G plant. And the return on this project is guaranteed, since we already sold around 1 billion liters of E2G to be delivered over the next nine years, through long term contracts with fixed prices and considerable premiums.

#### **Slide 6 – Raízen – Marketing & Services**

Now let's go into **Marketing & Services**, on **slide 6**.

From now on, we will present consolidated results for the segment, to better translate the value of our integrated platform, in line with the way we manage it.

The resumption of economic activity coupled with the advance of vaccination boosted the demand for fuels, despite the challenges related to the pandemic still present in the



quarter. We keep expanding our network and customer base, increasing our market share in both Brasil and Argentina, with adequate returns.

Total Adjusted EBITDA recorded robust growth, getting closer to pre-COVID levels. The reduction quarter over quarter, however, is explained by lower gains from supply and commercialization strategy.

Some additional highlights on our Marketing & Services platform:

- We kept the pace of our Proximity network expansion, of both Select and OXXO stores, motivated by the above-expectations performance of the business so far.
- In Shell Box, the number of transactions keeps skyrocketing.
- On M&A, we announced the acquisition of the Shell lubricants operation in Brazil, to complement our portfolio and value proposition to clients. Also, we recently signed the acquisition of a leading fuels network in Paraguay, consolidating our presence in the LatAm Southern Cone, and further capturing synergies.

### **Slide 7 – Compass**

Now **Compass**, on **slide 7**.

Adjusted EBITDA was positively impacted by the boost in the demand for Comgás' natural gas, driven by the economic resumption.

For the third quarter in a row, Comgás has posted growth in distributed volumes, this time with positive contributions from all segments. The main highlight comes from industrial consumption, leveraging on higher demand from several segments such as ceramics, steel, and chemical/petrochemical industries. The recovery in volumes sold to the commercial segment is due to the gradual reopening of establishments in the period, despite restrictions still being in place. The residential segment also presented quite a good performance, over an already strong comparison base, leveraged by continuous customer base expansion.

On top of volume growth, efficient management of expenses and CAPEX at Comgás supported growth in Adjusted EBITDA.



In commercialization, however, Compass was negatively affected by the ramp up of power prices, due to the drier weather, recording a loss in the quarter. We adjusted our strategy towards this segment and therefore decided to substantially reduce our exposure to directional power trading, further focusing on gas & power sale to end customers. Thus, we neutralized our positions this quarter, reason why this effect was adjusted on recurring EBITDA.

Compass' investments in the period reflect Comgás' regulatory business plan, bolstering network expansion with the gross addition of more than 150,000 new clients in the last twelve months. Quick note here. As announced last Friday, we reviewed the CAPEX guidance for the year, adjusting for the timing when the construction of the Regas Terminal actually started compared to the initial plan.

Before turning to Moove, I'd like to highlight our significant progress towards further developing Compass' business plan. First, at the beginning of July ARSESP started the Public Consultation regarding the 20 year extension of Comgás' concession, as provided for by concession contract. Second, we announced the agreement with Petrobras for the acquisition of 51% of Gaspetro, subject to meeting preceding conditions. And finally, we started constructing the Regas Terminal in Santos.

#### **Slide 8 – Moove**

Moving on to **slide 8**, presenting **Moove's** results.

We had yet another great quarter at our lubricants business, with relevant EBITDA expansion supported by a significant increase in sales volumes across all geographies.

The business continues to benefit from its successful commercial strategy and its focus on supply management, allowing the company to overcome the challenges imposed by the strong pressure on raw material costs in the global market.

It is worth noting that the better than expected performance on the first half of 2021 led the company to review its guidance, increasing EBITDA expectations for the year.

## **Slide 9 – Rumo**

Moving on to **slide 9**, let's talk about **Rumo**.

Since Rumo has already had their call with the Market as well, I'll summarize the main topics.

Rumo presented a good performance in all main KPIs in this second quarter. The higher adjusted EBITDA was supported by two main factors: 1) an increase in transported volumes, especially in the North Operation, driven by the performance of industrial products and the agricultural sector, also capturing additional volumes from Central Network; and 2) a better market outlook and higher fuel prices, allowing for yield expansion.

Moreover, Rumo also recorded continued efficiency gains. But those effects were partially offset by the pressure on costs and expenses, mainly related to higher fuel costs and inflation. This explains the reduction in adjusted EBITDA margins year on year.

Investments were in line with the plan, according to which around 30% of total CAPEX was allocated to the Central Network.

As announced last Friday, Rumo decided to discontinue its guidance for 2021, due to expectations of reduced corn production for the harvest year. Long-term projections, however, remained unaltered.

## **Slide 10 – Cosan Pro forma**

Let's turn to **slide 10**, where I will present the consolidated figures for Cosan, on a pro forma basis.

Combining the consistent performance posted by each business line, leveraged by the resumption of demand in the sectors in which we operate, and a better pricing scenario for renewables and sugar, Pro forma EBITDA and Net Income posted quite strong growth, overcoming the challenges seen in the second quarter of 2020.

On top of that, Cosan Corporate recorded a positive impact related to the exclusion of ICMS from the PIS/COFINS import calculation base for lubricant activities held in previous periods.



## **Slide 11– Cosan Pro forma – Financial Highlights**

Moving on to **slide 11**, to point out the financial highlights of the second quarter.

The higher EBITDA led to a leverage reduction to 2.8x net debt to EBITDA, closer to ideal levels for the group – which is between 2 to 2.5 times– and it is worth noting as well that the capital injections in Raízen and Compass were not yet accounted for in the period.

The better performance of the business also boosted operating cash flows, even considering that working capital in the second quarter is seasonally affected by the sugarcane harvest dynamics.

On investing cash flows, the higher spending compared to previous year is aligned with subsidiaries' investment plans.

And finally on financing cash flows, we had lower debt issuance compared to the second quarter of 2020, when cash positions were strengthened due to the beginning of the pandemic.

Therefore, Cosan Pro forma ended the quarter with a free cash flow to the equity of almost R\$ 800 million.

A quick note here: we just concluded the issuance of R\$ 2.0 billion in long-term debentures at Cosan, as part of our ongoing liability management process.

## **Slide 12 – EESG Highlights**

Before concluding my presentation, I just want to point out the main highlights of our **EESG Agenda**, which keeps improving on a daily basis. Please go to **slide number 12**.

Raízen, Compass and Rumo recently released their 2020 annual sustainability report, prioritizing the material aspects and reiterating the commitments established by each one of them.

Also, Cosan was recognized for its good ESG practices and once again we were selected to be part of the FTSE4Good portfolio.



On Diversity, the group made considerable progress, electing experienced women for Rumo and Raízen's boards. This allowed for those companies to receive the "Women On Board" association stamp.

And finally, as mentioned in the beginning, Raízen becoming a publicly traded company is also consistent with our EESG strategy: its investment thesis is based on paving the way to a greener future. And, in that sense, we have already made significant advances, fostering the renewables market by developing a guaranteed supply of second generation ethanol and biomethane.

At Cosan, we will remain focused and continue to do our homework to overcome the crisis and be prepared to capture the opportunities that will arise with the resumption of economic activity.

With that I conclude my presentation and we may move to the **Q&A session**. Thank you.

**Luis Henrique Guimarães:**

Good morning, everyone, and thanks for being with us on this 2Q call. I just want to reinforce a couple of messages that came from the presentation. First, a big pride to believe in this here. They have delivered a lot in the 2Q and the subsequent month of July, where we have very important structural actions that we will perform in the future, and we will continue to deliver a strong performance from the Group.

The first part is Compass, the startup of the terminal of LNG here in Santos, the progress of the acquisition of Gaspetro, the discussion of the extension of the concession in São Paulo that is on the concession contract, and a lot of activities about forming the team and ensuring that we are well-prepared for this next phase of geographical expansion.

So, a lot of things happening on the Group. With Raízen, we already talked about the IPO, but also lately the acquisition of Paraguay and the new contracts that will allow us to build new ethanol second-generation plants; the expansion of OXXO very sharply into Campinas and now entering São Paulo in the last few months.

The same with Rumo, a lot of new performance done in Santos with the conclusion of some important construction that will reduce our lead time within the port. The implementation of the Rio Verde terminal ahead of the schedule, which was very important for the Central Network; as well as Moove, where we continue to search for



new areas of expansion around the globe, and we expect to have some news in the future as we perform very strong results.

Also, when you look at our funding, a lot of activity as well. We have done some funding related to sustainability performance in Rumo, some refinancial in the holding, all preparing the Company to continue to have a strong liability management. As well as on the people side, where we have increased the diversity in our Boards in Cosan, in Compass, in Raízen, et cetera.

So, what I want to convey here for you investors that we have not stopped with the COVID. In reality, we have accelerated, and we continue to build strong foundations for the future. We have some setbacks, like you know, on the directional electricity trading. We took decisive action, as always, to control the damage as well as to reposition ourselves to the future. So, it's a lot of learnings on that, but as well as action in terms of our way to perform in the future.

So, all-in-all, in our view, a very strong quarter from a financial result, but more important, I believe, is the energy of the team and the ability of the team to deliver even in adverse conditions in the market as well as on the COVID.

We are very excited about the vaccination process in Brazil and the opening of the markets, which are translating in higher volumes in all our business, and we expect that to continue. Of course, the Delta variation is also a cause of concern, but we are optimistic given that Brazil has definitely turned the corner in terms of the acceleration of the vaccination.

So, with that, I will turn back for the question-and-answer.

## **Q&A Session**

**Thiago Duarte, BTG Pactual:**

Hello, everybody. I have two questions. The first one is a broader one related to what we should think of the Group in terms of growth and capital allocation going forward, I think more towards Luis, that question. As you mentioned, you guys reached pretty important milestones this year with the simplification, Raízen IPO. So, just if you could comment,





Luis, a little bit on how we should expect, especially in terms of timing, the next moves, either with regards to the IPO of Compass or the IPO of Moove, or even in terms of further investments for Cosan and the possibility of entering new segments and generating new investment ideas. So, if you could comment a little bit on those, I think it would be helpful.

And the second question, it's more related to Compass and especially the acquisition of Gaspetro. My understanding is that there's still some variables that are not in your control, especially in terms with the right of first refusal for Gaspetro minorities as well as state governments. From what I read in the press, some of them are willing to exercise their right of first refusal there. So, if you could comment on which developments you expect to happen for the acquisition to make sense, or which of these variables that you do not control would be deal breakers for Compass and Cosan for the acquisition? I hope that was clear. Thank you so much.

**Luis Henrique Guimarães:**

Very clear, Thiago, and thanks for the questions. So, regarding the first one, I think when you look at the plans of each of the companies or each of the four verticals we have, they are very solid, from an inorganic and organic point of view. So, I think each one of the CEOs and the management teams are really busy around delivering what they have projected and what they have approved with the Boards and specifically the ones we mentioned there.

So strong growth on Raízen, strong growth from Compass, strong growth on Rumo, and a lot of opportunities for further geographical extensions for Moove, which, of course, we need to find the targets and execute on them. So, I am very easy around that because I think we have solid teams and very solid plans, well-financed and well-funded for that. Of course, you always have the execution risk and you always need to deliver. But, I think over the last couple of years, we have concentrated a lot in building efficiency as well as ways to develop that.

Regarding your broader question around where we could go from there. I think you have seen us expanding a lot of time, both internally on the organizations but also on the Group as a whole in three big areas. One is finding synergies between the companies, meaning things that we could do better together. One example I think I gave to you guys on the last teleconference was around information safety, information security, a big topic



for corporations, a big topic for business and Boards. And we have worked well together as a team to increase our walls and increase our protection.

This only was possible because it was an effort combined with the companies. Another one was joint procurement of items that we buy everywhere in the companies, like services, car rentals or truck rentals, equipment, et cetera. We also see a delivery of savings and more efficiency on that front.

The second one is on the journey of helping our customers and partners of decarbonization. So, all our companies have a lot of opportunities to help customers and suppliers in the value chain to reduce their carbon impact, that we believe is a big value going forward in terms of generating more value from the products and service we provide. So, all the companies are with a strong agenda on that area.

And the third one is digitalization. There's a lot of efforts specific in each company, like the number of transactions that Comgás is doing with their companies that have moved from telephone or personal to online and to the application; the Shell Box exponential growth every month in terms of volume and number of transactions; Trizy, which is a small investment we have with a partner on the trucker side, again, every month, getting records of transactions and so on.

So, we will continue to look at the opportunity to maximize the value we see in our ecosystem as we have a lot of connections within Brazil, meaning we have probably one of the more dispersed groups in terms of points advanced around the country, a strong customer base and a lot of recurrency. All our business that customers use some several times a month, some several times a week, so in like Comgás and the future Gaspetro every day. So, we believe there's a lot of value on being closer to the customer with a lot of knowledge on what they do and how they are served, and we all look at about how can we increase that.

So, Thiago, this is how we are playing. Of course, we are always looking for opportunities to deploy what we believe we do better, which is capital allocation, execution, bringing efficiencies to business and deploying strong management teams and supporting the management teams that have been incorporated in our journey via acquisition or other means. So we will continue to do, and if there is a good opportunity, we will, of course, communicate the market and give the full transparency on what we are aiming for.

In term of Compass and Gaspetro, your question is completely correct. So, we have 30 days right of first refusal for the states and the other shareholders on each of the



individual concessions that are part of the Gaspetro portfolio. And we have 90 days for Mitsui, which is the partner at Gaspetro level. And of course, we already have done the first file with Cade, which will, of course be adopted, depending on if any of the right of first refusal are exercised.

Our view on that is, of course, we cannot predict which the orders will do. But, if you look at what I believe is the agenda of most of the states in Brazil in general, which is to go to a more liberal privatized sector, we expect that will be good news that a company like us, together with a solid investor and a solid partner like Mitsui, will be able to do with the concessions on that. But again, it's too early to give a forecast. There is nothing there that is at the moment a showstopper. We continue to be very enthusiastic about these investments.

We have always said that it would be a long journey, right? There's a lot of work to be done to get to the final rights structure and to be able to replicate completely the model that was very successful at Comgás in terms of sales, execution, marketing and all of the other elements that have made Comgás grow so much since 2012 and has accelerated over the last few years. But, we continue to be enthusiastic, and we think that the state governments will be good partners, and they will work for the benefit of generating more value for the society and for the concession itself. At the end, they will continue to be the owners anyhow, given the concession model, which the state is the ultimate beneficiary of all the progress done on the concession.

**Thiago Duarte:**

Great. Thank you, Luis.

**Luiz Carvalho, UBS:**

Thank you for taking the questions. Luiz, if I may, also a kind of a broad question. Last Friday, you had a meeting with Mines and Energy Minister, Bento, in Rio. And lots of the Company businesses are facing somehow significant regulatory discussions in May fronts. There's a discussion about the natural gas, and of course, as the last question about Gaspetro, and also the discussion between the ANP and ARSESP regarding the distribution/transport pipeline, for example, in São Paulo. Recently, we had this



provisional measure signed by the federal government, talking about the fuel distribution business.

So, if you can basically share a bit of light in terms of what are the main discussions and what are the main concerns the Group has in terms of each of the businesses from a regulatory perspective, and where you are working in order to try to make that not specifically for the Company, but basically for the sector to be less impacted?

The second question, you recently signed an agreement to buy a fuel distribution company in Paraguay. You already have assets in Argentina. So, just trying to get a bit more sense in terms of the potential path in terms of internationalization of the Company, if you see other geographies that might be of interest of the Company as Moove you already have assets outside of, Latin America.

And if I may, a last one here. Despite of the leverage of the Company that you just announced close to 2.8 times when we assess the recent IPOs, both Compass and Raízen, the initial numbers that you presented publicly are way above what the market is pricing. So, would that make sense to try to look to buybacks at some point and as the reference that we see in Cosan listed is way below what you guys thought in terms of value for both IPOs? Thank you.

**Luis Henrique Guimarães:**

Thank you, Luiz. Thank you for the questions. Let's take in the order you mentioned. So of course, we work in markets, both in the energy and logistics that have strong regulatory frameworks. And this is not a privilege of Brazil. I think it's a global phenomenon markets that are so important for the day to day of the population and strategic in terms of the impact on the society and on the ability to the country to have lower costs and to serve well the consumer.

You guys know my opinion about these two measures from last conversations we have. So, it's not new for you. We believe that these measures are not very relevant in terms of the objectives they have in term of cost reduction or a reduction in terms of the level of competition on the industries because these businesses are already very competitive.

If you look at the number of retail sides, you look at the number of distribution companies or you look at the number of production gas companies or you look at the number of



mills, the challenge of Brazil is creating infrastructure of high volume in all the businesses. We are talking about fuels, we are talking about gas, so we need to create pipelines. We need to create more rail service. We need to create more harbor access. We need to create higher volumes in terms of everything, but this is what's going to drive costs down.

And the only way to do that is to have regulatory certainty and judicial guarantees, right? So, nobody can invest billions of reais in a pipeline being fuels, being gas, so that if you do not know that you are going to be able to exploit it and have sufficient returns or the legislation will be stable, sufficient for you to understand.

So, our whole advocacy is on that level. We have no issues with competition. We are very respectful to good competitors and competitors that push us forward in terms of ability for us to be better with customers, lower cost, et cetera.

What we do not accept and we fight all the time is about two things. One is opportunistics that are trying to get a free ride on investments that companies that are putting money on the ground are doing. And second is about tax evasion, right? So, as long as all these measures are connected to strong measures to reduce tax evasion and to avoid free ride, we will be very supportive. And the discussions we are having with the ministry and all the governments around these two topics, is around making sure that whatever is done is looking from an angle that the people that would not fulfill them. And this is where we are concerned on both, on the direct sales of ethanol and the other measures.

In terms of the brand side of the measures or on the ability for sites to have other brands, in our view, and it's very explicit on the MP and very explicit with the announcement, the government and MME did on Friday night, at almost midnight Friday, clarifying that contracts are to be followed. Contracts are to be agreed between private parties. And this is just another model that could be used by companies that we want to use, right? So we have two models in Brazil today: a model where a retailer has a contract with a brand, and he uses that brand on the canopy. And for that, he has exclusivity contract to use their products. It's very traditional on any license business or franchise business.

So, if you go to McDonald's, you are going to have McDonald sandwich. If you go to VW workshop, you are going to have a VW car and new VW car being sold. You are not going to have a Fiat; you are not going to have a Renault. You do not have a mortadella sandwich on a McDonald's outlet. And this is the same that happened today.



You have a second model which is the retailer brand. So, you can have your own retail site. You have your own brand. And you buy from whoever you want, and you just want to identify the product that you are reselling on that side. And you can change that more often as you wish. So, what the MP has created a third model, in case the license company will allow the licensee to sell a different product than theirs, he could do it, which today is not allowed. A&P would find retail outlet that would have a brand from a third party and will not sell 100% that part.

So, there is no obligation. There is no mandate. It's a private relationship. So, if someone wants to do that, it's okay. Just to be very straightforward, and I think Mussa has made it very clear on the Raízen call, under the Shell Canopy and the Shell brand license, we only have Shell products because this is the way we believe is the value for the consumer. We differentiate with better fuels, with digital solutions and other service requirements that attract more customers that have been improved by the way Raízen has been gaining market share since its inception 10 years ago. The same is happening in Argentina and the same will happen in Paraguay. So, it's not a matter of when, it's a matter that we will stick to our model that we believe is the most successful, and by the way, is the one used in 100% of the markets in the world, right?

So, our only plea there, Luiz, is about equality of competition, isonomy of competition. Brazil and the legislators need to understand that without that certainty, investment will not come. And we desperately need investments in all the areas of infrastructure, energy, et cetera.

So, we will continue to fight against that. We will continue to be very vocal about that. We will continue to make the Instituto Combustível Legal more equipped because it's around R\$24 billion that the government is losing. And we are doing a lot of reforms, reducing cost of the states and other measures that some of them do not get close to R\$24 billion per year. So, we need to take that serious, and this is what we believe. So, no free ride and no tax evasions, the only things we have. The rest, we love competition. We will continue to compete. We will continue to be trying to be ahead. We love good guys that will push our teams further because this is what makes market better.

Moving to your second question regarding Paraguay and the portfolio, I think we have said in a couple of years now that we are looking for good opportunities outside Brazil, and Paraguay is a good market. It's a small market, but profitable with good structure where the Shell brand has been out for several years now and has a very strong recognition. And we believe that by the JV we did with the best retailer in Paraguay and



a very solid family business with people that are very competent that we have been discussing for a long time, we will be able to do good inroads on that market, benefiting from the infrastructure of Argentina because the trading and all the market comes from the same logistic route.

And as you asked for the future, we will continue to look for opportunities in other markets, not necessarily on Raízen only, but as you know, Moove is our most national company, and we will continue to look for opportunity there. I think it's good for us to have a balanced portfolio. Of course, Brazil is always going to be our lead market, but having other market is important to differentiate from other competitors that we have and be able to have different cycles of results and ability to invest.

Regarding your third question, we will always be going to look for. When we believe that the market is discounting our share, we will look for that as one of the ways to invest on. And we have done that a lot over the last few years. But we will continue on our journey to have the companies underneath Cosan open each time.

And Thiago has asked the timings for Moove and Compass. When the time comes, Thiago, sorry to not be precise, it will come. But we are very happy with the partners we have. As you know, CVC is our partner in Moove, and we have Atmos as our partner in Compass and already treat and manage this company as open companies and listed company anyhow from the point of view of governance, Board, et cetera. So, they will be prepared to do that when the timing is correct.

**Ana Luisa Perina:**

So, if I may just add a couple of points here on the leverage question, Luiz. As you all know, our target is to be between 2 to 2.5 times net debt to EBITDA as a group. So, we will always seek for investing our cash position in a balance between opportunities on gross debt amortization, doing our liability management process.

This is a recurring process for us at Cosan. As we said in the presentation, we just issued debentures, R\$2 billion worth of local debentures to do liability management. So, these opportunities will be always analyzed by our teams, and we will always seek for the best capital allocation within this range that we believe is comfortable for the Company.



**Luiz Carvalho:**

Thank you very much. Very clear.

**André Hachem, Itaú:**

Thank you for taking my questions. So, I have two questions. The first is more specific to this quarter's results on Compass. You registered on the trading business, a loss of R\$380 million if I am not mistaken. Could you comment on these positions which led to this loss, have already been closed down and these are the costs of dispositions, or you still have active exposure on this trade? So that's my first question.

My second question is relating to synergies between Compass and Raízen. As we think about the future of renewables and then we think about transition energy, gas could also play an important role, especially when we think about the heavy vehicle fleet. How do you expect or how will you pass the contract synergies between Raízen and Compass going forward as they move on with different shareholder base and though they have Cosan, a controlling shareholder? Thank you.

**Luis Henrique Guimarães:**

Okay. Andre, it was not totally clear, your voice, but I think I got it. If I do not respond to what you have asked, please intervene. But regarding the commercialization process or directional trading business in Compass, your question was if we will have more numbers on the next quarter or the following quarters, the answer is no. So, what you have seen is basically the positions for the future are neutralized. It does not mean that there is no position, but they are balanced between short and long. So, there is no effect in terms of price valuation going forward.

In terms of synergies between Compass and Raízen, yes, there is a lot of, I will call, markets that could have been accessed by both companies. And as you know, as you look at these companies and look at them what's best for each individual company. So, you could see some business, eventually, the two companies competing in a certain market or in a certain offer. And we will not intervene on that, just to be absolutely clear. It will be what's best for the companies.





But also, there are opportunities for them, of course, to do things together if the opportunity arises. As you said, there is a lot of biomethane that you will be able to go through the natural gas network. There will be a lot of distributed energy, combination of renewables and natural gas stabilization.

But, they will do the business as it makes sense for each of the companies, not looking at Cosan as a shareholder in both of companies. But as you rightly said, we have different shareholders in different companies, and we will not benefit one of shareholders in relation to the other.

But we believe, as you know, is our DNA in our companies on the holding to do partnerships, to work together. We never believe that it's best to do it ourselves if there is opportunity to do, if someone that has complementary skills, complementary customer base and complementary people that will be able to do it faster, better and do it bigger.

So, it could happen, some joint projects or joint activities between the two companies. But again, always looking for the interest of each individual companies, and at the end, the customer.

**André Hachem:**

Very clear. Thank you.

**Regis Cardoso, Credit Suisse:**

Good morning. Thanks for taking my question. A quick follow-up on the previous question regarding Compass and then the second one on capital allocation. So, first one on Compass. I mean, there was a significant loss in this quarter, I think nearly R\$380 million. And I wanted to understand, first, if that was the trigger to your decision of neutralizing the directional exposure. And also related to that, how and whether that changes the business plan you had previously set for Compass? Because I believe you were very ambitious about expanding in the natural gas business, but you were still a player in the electricity sector, right? So, how does that change? So, that's the follow-up on Compass.

Then the second question, and I think that's more for you, Luis. How do you see Cosan's role going forward, now that the companies are good on their standalone basis, and most



importantly, they have recently raised capital, right? That's true for Rumo, that's true for Raízen. Compass might be on the road to raise capital for themselves as well. So, what will be Cosan's role? I mean, is it a role of paying down debt to increase efficiency from a fiscal perspective at the holding level? Is it a play of, let's say, buying back stocks to further increase the stake of the existing shareholders? Is it a play of distributing dividends, or is it allocating that capital to something else, something new? Thanks.

**Luis Henrique Guimarães:**

Thank you, Regis. Regarding the directional trading, yes, we saw a tremendous volatility in the market, given the weather patterns and a very different behavior, if you look at the history of this market over the last 30 years. Of course, this has triggered us to take decisive action. And the team led by Nelson and the Compass management team took decisive actions to neutralize the position and also to think forward how we would deal with that, what seems to be potentially a different pattern of this market going forward.

So, we have always been on this market for the expansion of the trading of natural gas, as you have seen by the pre-agreements with Rhodia and Yara announced over the last few weeks there with going to move customers from the captive market to the free market, which we are very supportive and is already very well regulated on the Comgás area, but we believe that it will evolve through the Brazilian market in the all the concessions. And as we move with Gaspetro, we will work hard on that with the local regulators to achieve that because we believe it's good for the development of the market. It's good for the growth of the volume, which is the big challenge of this market.

So, we have done that to create that knowledge, ability, et cetera and also, of course, we believe that on the buying and selling of energy on a common customer base with electricity and gas has value, right?

But of course, the directional business over the last couple of months and quarters was very, very volatile and implied on the loss that we already discussed. So we are concentrating now going forward, the team, on the long and short business, not on the directional business, which we still believe that there are good opportunities on the electricity side. But of course, our main focus has always been and continues to be on the natural gas and on the biogas opportunities for this market.



And trading and commercialization is an important part of the Compass model. This has not changed. What has changed is our risk and focus appetite on the directional commercialization and directional trading.

Regarding the role of Cosan, I do not think that changed much of what we have been doing over the last few years, Regis. Of course, you are seeing the progress that we said that we are going to do the collapse, and we did the collapse, and it is going to open the companies underneath. So, we are on the progress of that.

So I see you say, “what’s next”, right? So we will continue to have a small team at the holding level to work together with the companies. So, in terms of the culture, in terms of the support, in terms of the challenging management, looking at people, looking at capital allocation that we always have been doing over the last 20 years or 15 years, we will continue to look at opportunities around the business if there are other opportunities that are not natural for the business to do it themselves that we could contribute doing ourselves and supporting the business going forward.

We will continue to advocate the three pillars that we talked early, the ESG on our side, and pushing the companies to be even more aggressive in terms of decarbonization and how they, together, can leverage relationships with other big groups in Brazil that we can deliver logistic and energies at lower carbon intensity. We will continue to push the people agenda and the digital agenda around that.

And in the meantime, of course, we are going to look for buybacks if it makes sense. We are going to look at the liability management. But, it’s a role of trusting a lot on the management teams of each companies, empowering them a lot to do what they need to do on the day to day and on the movement they are doing, but ensuring that they have the support to do the big moves and the big dreams they have in all the companies like they have very recently as we talked before. So, on the Raízen path on both distribution, Marketing and Services and renewables on the platform; Compass, on increasing their geographical footprint, but also in terms of new business on LNG and potential power generation, Moove to its international business and Rumo with its expansion and reduction of lead times. So, it is what we are going to continue to do.



**Regis Cardoso:**

Clear. Luis, if I may, a third question here about Compass. I just wanted to make sure, when you revised downward the CAPEX for Compass that it did not affect the investments for the regulated business for Comgás, it was 100% related to the LNG terminal. And if I may, just a second one there, what do you reckon will be the competitive advantages of Compass over other suppliers of natural gas? I think, being fully integrated with the Comgás network, looks like it's going to be one of them to have a lower cost of transportation for the gas. And if you believe that, let's say, having the route for connect directly in São Paulo if that too could get in the city gate of Comgás without necessarily going through the transportation network, and if that happens, if that gas will be constrained to the state of São Paulo? Thank you.

**Luis Henrique Guimarães:**

Regis, on your first question, the CAPEX numbers of Comgás are not changed for these years. So, we will continue to follow our regulatory commitment with the state and the agency. What has happened that the start-up of the terminal here in Santos is a little bit delayed. So, this is why you are seeing like an adjustment on our expectation of CAPEX. But, we will continue to build our network in São Paulo, continue to connect over 100,000 customers a year and continue to grow our base of commercial and residential, and of course, industrial customers on the São Paulo concession, which has proven very successful as you have seen from the numbers on the last few quarters and going forward, right?

So, we create a lot of resiliency in this business to have a lot of less dependence on the, call, more seasonal business that can be the industrial business and very much more reliable on the commercial that will have, we believe, good recoveries on the next quarters going forward, but more important on the residential segments what we could observe during the COVID and the lockdowns, how important is this business from a point of view of profitability of the Company and reducing our exposure risk. So, this is what we will continue to do. And again, repeating myself, it is what we expect to do on the concessions under the Gaspetro that we will be doing.

Regarding the competitive advantage of Compass, I think there are several. One is the ability to source gas from different sources. And the terminal in São Paulo is one that's important because they will be an alternative of competition of the local gas supply. So,



we are going to have a kind of a marker to the local suppliers to be competitive. And of course, we are going to buy from the local suppliers. We are going to buy from Bolivia. Compass will buy from the terminal, but it will depend on who will be more competitive at the time.

And in terms of the routes, we are looking for routes that we expect that several companies, we would love them to do more routes. So, the reason we are involved in Route 4, we always said is to be a kind of a leading agent that is doing the work for this to happen. You know how long things take in Brazil, right?

So, Regis, I hope you are back here. Talking about the gas and the projects and the ability for us to have more gas in a market that we believe Brazil has, as you know, Itaipu, a size of Itaipu in terms of reinjection. So, we would love this gas to come to the market to be able to develop the market, get Brazil more competitive on an industrial basis. And of course, it will benefit Compass, but will benefit the whole society in our other businesses that are related to GDP.

So the Route 4, we are the kind of the leading player to motivate others to join. We have no intention to be the biggest checks on this. We have no intention to have control over these investments. We are really doing that because we believe that in Brazil things take a long time. And if there is no one that's pushing that spending a little of the initial money, especially having the right people developing that, it never happens. So, it will be connected to the infrastructure that exists in the country, transport and all other infrastructure.

So, our competitive advantage will come from our ability to source better, our ability to serve customers better, our ability to do the different verticals we have. So, the distribution vertical, the infrastructure vertical, the commercialization vertical and the power generation vertical in a way that's better than our competitors on that. So, we believe that this portfolio that we have created and is creating is differential from the other markets.

But, as you know, the gas market is huge if it goes right, in terms of the increase of demand. It's not a problem of supply. There's enough gas in Brazil, in Bolivia and in the world. What we need to do is to develop demand. And we believe that Compass has been the leading company in developing demand. So, we are the Company that's spending more time on the demand side, where most of the other players are spending more time on the supply side.



And this is what we are trying to create, an important capacity with partners, channels and our own sales force and marketing force to develop applications, solutions and ability to create this market that in certain states does not exist, certain segments do not exist. And we will continue to convert customers from different energies, like from diesel, from biomass, from other sources of energy to gas where it makes sense. So, this is our great differential. We are focused on developing the gas market, and we will do that based on our strong experience that we have developed over the last few years.

**Regis Cardoso:**

Very clear. Thank you so much for the very complete answers.

**Operator:**

This concludes the question-and-answer section. At this time, I would like to turn the floor over to Mr. Luis for his closing remarks.

**Luis Henrique Guimarães:**

So, I just want to thank you all for being with us today. And thanks for all the support you have been giving the Company as investors. So, very important movements we did over the last six months, as I said, starting the collapse, going through the private placement with Atmos and Compass, going to the IPO of Raízen, also on the debt market, a lot of action.

So, we will continue to value your support and be very responsive to the way we allocate capital, looking for synergies, looking for efficiency within our portfolio and be able to deliver strong results over the course of the next months.

We are, as I said, at the beginning, enthusiastic about the recovery of the Brazil with the vaccination progress. Of course, there is some challenges on the environment. But, we are very confident that our teams and our company is well positioned to continue to deliver and be able to achieve the guidance we have given to the market for this year and the years going forward.



So, thanks for your time. And have a great week. Bye, bye.

**Operator:**

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