

Operator:

Good morning, everyone, and welcome to teleconference of Hidrovias do Brasil to discuss results for 4Q23. Today, we have with us Mr. Fabio Schettino CEO; Ricardo Pereira CFO and IRO; and Ana Carolina Bastos, IR Superintendent.

Please be advised that this event is being recorded and will be available at the Company's IR website. After the Company's remarks, there will be a Q&A session, when further instructions will be provided.

Just as a reminder, the simultaneous translation tool is available at the platform. To access it, please click on the button that says 'Interpretation' at the bottom part of your Zoom screen and choose the language of your preference.

Before moving on, let me clarify that any forward-looking statements are based on beliefs and assumptions on the part of the Company's management and also on information currently available to Hidrovias. Forward-looking statements might involve risks, uncertainties as they refer to future events, which, therefore, depend on circumstances that may or may not materialize. Investors analysts would have in mind that events relative to the macroeconomic environment, the industry and other operating factors might lead the results to differ considerably from those expressed in these forward-looking statements.

Having said that, I would like to turn the floor now over to Mr. Schettino to start the presentation. Over to you, sir.

Fabio Schettino:

Good morning, everyone. Once again, thank you for participating in our results call for 4Q23 and the full year of 2023 for Hidrovias do Brasil.

We announced the results after the market closed. We have released a consolidated result slightly above the guidance we had given you in our results release for 3Q23, demonstrating our commitment to our deliveries and the solid foundation of Hidrovias do Brasil, which continues, by the way, to show growth year-on-year, even in a challenging scenario abroad, some even unmanageable such as what we have seen in the Northern Corridor in the last quarter of the year.

So I will start the presentation on slide number 4, if you will, showing that, even with drafts restricted in the North and the South during 4Q23, we saw record volume transportation totaling 18.2 million tonnes, a growth of almost 10% year-on-year, which reinforces our competitive edge, which operates with more restricted draft when compared to the average of the market. And, of course, the efficiency of our management team to act and respond in a nimble, fast way, keeping our commitment to deliveries, but not jeopardizing safety and operations, which is important to us.

So once again, this growth was driven by a record results we have reached in the 9M23. We were doing well when we had more normal operating conditions across all corridors where we operate. In other words, we extracted the maximum possible result from efficiency when we have a more normalized external scenario.

On the next slide, slide number 5, if you will, you can see the net revenue that the Company posted both in the quarter which reflects a typical scenario in the North, as I have mentioned, and the operation throughout the low water plan in the South and also in the year, adding up to R\$1.9 billion, which is a growth of 7% when compared to the

previous year. So on the right-hand side of the slide, we can see adjusted EBITDA, including the proportional EBITDA of our stake in some JVs, which totaled R\$780 million with a margin above 40%, a growth of 3.1% vis-à-vis 2022, but still short of our full potential given that we operated under atypical conditions in this quarter in terms of draft restrictions, as I just mentioned.

So I reinforced, therefore, the message that I always try to convey when I interact with you during the results calls. We are a young company. Just 15 years in the market operating in a transportation mode, which is very little explored on our continent, which has already passed all possible tests and still continues to show growth year-on-year. Deleveraging the Company year after year and increasingly consolidating itself as one of the main logistics players in Brazil.

Having said that, I will now turn the floor over to Ricardo, our CFO who is here with me to comment a little on the results by corridor consolidated financial numbers, and I will come back later. So we can talk a little more about questions and comments you may have after the presentation. I will also be back to talk about an important topic, which is, what we are doing now to address navigation restrictions in the South corridor because this year will be a year where we have some restricts and I will go into specifics in a moment. So Ricardo, over to you now, please.

Ricardo Pereira:

Thank you, Fabio. Good morning, everyone, and thank you for your interest in our company and our results call. Starting on slide number 7, if you will, please. We can see that the results in the Southern Corridor, where we mainly transport iron ore and grains, iron ore and grains, just to be sure, was, as mentioned by Fabio, corridor that operated under normal draft conditions.

In fact, not only normal, but above historic leverages, by the way, for most of the year, more precisely between February and October 2023, which, of course, ensured record cargo movement in the period, 1.2 million tonnes in the last quarter alone and 5.9 million tonnes in the full year. And that's level which is very close to our full capacity for this operation now at that location. With this, we ended 4Q with a net operating revenue ex hedge of R\$171.2 million.

As you can see on the lower left-hand side of the slide, and R\$824.9 million in the full year 2023. Just as a reminder, we are talking about an operation with a Dollarized contracts, USD-pegged. So it's worth noting that we grew our revenue by almost 6% in the year, even having a negative effect coming from the exchange rate as we converted the numbers for the period.

So on the right-hand side of the slide, we have the adjusted EBITDA, which includes, in this case, a proportional EBITDA to our stake in the JVs, which totaled R\$37.9 million in the quarter, which reflects both the FX effects and the higher operating costs we have endured when we practice the lower water plan.

We end up having longer navigation cycles, greater splitting of convoys, greater fuel consumption, among other things, which you know and, of course, have an effect on the variable cost.

Still, even with operations in slightly restrictive conditions at the end of the year, we had a very strong result for the full year with adjusted EBITDA at R\$360.3 million, a growth of almost 30% vis-à-vis 2022, mainly driven by the benefits that we obtained when we had regular normal navigation conditions.

In fact, that happened again, as I said, between February and October, which enabled record numbers for this operation during the 9M23, thus offsetting the weaker numbers we have posted in the 4Q.

So it's quite evident, therefore, that we have a great interest in achieving less volatility in navigation conditions in this region. So that we can have an appropriate level of costs and extract the full profitability potential for that logistics corridor.

In this respect, as we have already mentioned, we did last year. We have been investing in detailed surveys and studies of the river channels in the Northern section of the Parana Paraguay Waterway together with the Belgium company called IMDC so that we could identify all existing restriction points. With this, we can create action plans and then mitigate atypical scenarios, thus reduce operating volatility in that region.

We will present more details of the study in the release of the 1Q24, but it's worth a while to have Fabio show us a little of what we have done and where we are headed. So that you can understand that we are completely aware of the challenges of the operation. And more than that, we are working tirelessly in a partnership with other agents who are also fully interested in this improvement.

Fabio would you like to tell us a bit about the study that we have had and what we have noticed so far?

Fabio Schettino:

Thank you. Ricardo, yes. Yes, this is a very important point and a priority for us because the Southern Corridor is a great potential that has not been tapped because of those restrictions.

On slide number 8, if I may recall a bit of what we presented in 3Q. About the study carried out by IMDC, the Belgian company we hired to carry out detailed studies on the river channels where we operate, mainly in the Northern section of the Parana Paraguay Waterway and mapped out all the points of friction, restriction that have today and that generates those segmentations, those greater costs that we endure when we have a more restrictive navigation scenario.

So we mapped all the stretches that are critical that need some kind of specific actions, be it dredging as we move sandy soils or eliminating the bedrock, which today provides us a clear view that it is viable to make Paraguay Parana Waterway viable for regular navigation, even in atypical weather scenarios with lack of rain, for example, that's how it happens all over the world.

I usually see that in Brazil, in the South America, we are not used because of the scale of the rivers where we operate, large rivers, but now, with higher variability, we need to transform those rivers into waterways as it has been done in the U.S., Europe and Asia, in more complicated rivers, actually.

The basis for that is there, coming from the results from the studies and mapping that we have commissioned. We are now entering a phase of execution so that we will have, as of next year, a permanent navigation condition along the corridor.

So as a result of the studies and the creation of hydrodynamic model made by the consultancy company, we can now carry out dredging and demolition at much more

precise points, more accurately, with the help of constant bathymetry that we do to obtain much more effective results in the navigability of the river.

On this slide, you can see that we mapped 25 restriction points initially that require some kind of intervention, dredging or demolition, which are these 25 names, locations that you have on that table on the right-hand side.

So in addition to that mapping, we now have greater visibility through 3D imaging of the entire river channel, which allows us in the short term to have a more optimized navigation plan according to existing conditions, as you can see in the example of the slide in the pictures.

You can see that in the blue drawing, navigation conditions are full. And when the colors become warmer, going towards yellow and red, these are areas with some kind of restriction that demands our attention or even intervention, if that's the case, to avoid higher restrictions.

But from a practical point of view, what have we done with all that information and data that we did not have access to until today? As I mentioned before, we are using that intelligence through our participation in CAFYM, an association that brings together shipowners operating in that waterway to influence indirect dredging that is already being carried out by the Paraguayan government.

We mentioned before with you in our last results call that the Paraguayan government already has an approved tender for a dredging plan, which until then, as there was all that intelligence about the waterway, the channel, so that was being in a non-optimized way, therefore, less effective.

We therefore began to better target the specific, more urgent points and began to carry out bathymetry at the dredge points to check whether the process had been carried out correctly. And this has already proven very effective.

So on the next slide, slide number 9, Out of those points, we mapped out first that needed dredging that happened through November until now. You can see that on the map on the left-hand side of the slide, they are also present in the bottom part of the page.

Anyway, what was the result? We had 2 important evolutions that show we are on the right track to definitely solve those restrictions. The first more immediately is the improvement of the navigation draft at the dredged points. So looking at the drawings below, those little hills that you see are the segmentation point that generates friction where the barges can touch the riverbed.

So on these points, if we had not carried out any type of intervention, those would have been extremely restrictive points given the level observed at the beginning of the year in this region. So by dredging these points, we have already managed to increase the navigation draft to around 8 feet, which is in line with what we need for more regular navigation, especially with our higher power assets.

To make it clear, we made a simulation in the drawing would be a stress scenario in the most critical parameter that we have had in the past 5 years at those points, which was back, as we know, in 2021. when we stopped operation temporarily.

I think some of you here will remember that what happened back in 2021. In other words, with restrictions we saw in that region and the level that we had, the level of draft we had

back in 2021 we had approximately 4 feet for navigation and our lowest active draft operates at 6 feet. In other words, we would be stopped period in this case.

With the dredging works we have already done, even with these scenarios similar to 2021, we would have today instead of 4 feet, 6 feet of draft for navigation, allowing for operations to continue through our low water plant. That's a fundamental change. We suffer significantly when we had to stop operations. And for those dredges, interventions, which have been done would avoid that situation, should the curve of 2021 be repeated.

So we also had some indirect benefits because dredging changes, segmentation conditions throughout the river. And as you can see in the table on the right-hand side of the slide, for example, Villa Hayes or Tres Bocas, which are other map points this scenario of March 2024, we would be forced to split convoys if that dredging had not been done, and we are able go through with the entire convoys without the need to split cargo.

So at Concepción, for example, we would be stopped unable to navigate. But thanks to those initiatives, we are now managing to work with 6.5 feet. So it's clear, therefore, that those actions have created practical, immediate and very positive results. We are today benefiting from those actions navigating in better conditions than if we had not done that. And then we can ask ourselves, so will this reflect improvements in 2024? And the answer is our objective, not fully yet, and I will explain why on slide number 10.

Slide number 10 please. As I mentioned before, we have been mapping all the points that need actions such as dredging and demolition at the riverbed. So we have improvements in the points that have been addressed. But we still have several other points that need the same intervention.

So on the chart on that page, you can see the updated situation in Ladário, an important point for loading iron ore in Asunción, an important point for navigation. At both points, we have a lower dredge level than what we had in recent years and with a still slow recovery.

We are navigating within restrictive conditions and low water conditions. So the measure is, we still have some kind of volatility in the short run this year. But now we know exactly where the restrictions are, and we are addressing them all so that in the midterm, we can operate in better and less uncertain conditions without relying so much on external factors that we cannot control. For example, rainfall for example.

So in this context, if we go to slide number 11, if we may, please, I will show you the next steps to our plan, which consists of dredging or remove the rocks on that drawing. That needs to be done only once. You want to remove rock once, but dredging is a sort of recurring process.

So along those lines, we have a very positive scenario. For the first time in the waterway, we have obtained environmental licensing to remove rocks at the main critical point of the whole corridor, the Remanso point closed to Asunción. It's a piece of rock that creates an important restriction, and we were able last week to obtain an environmental license permit to remove that rock. And by April, we will file requests for permits to remove the bedrock at other points.

So with all those actions, dredging, bathymetry and bedrock removal, we understand it will be possible to have a condition of at least 6 feet of a navigation, even amidst scenarios where you have draft restrictions as we had in 2021.

In other words, from the practical point of view, if the curve we had in 2021 were to be repeated when we had 3 months without navigation conditions, we now would be able to operate through our low water plan, and that would be a much better result, or less impactful for that condition.

As Ricardo also mentioned, we will show more details in the next results calls coming forward, but I think it's important to share that with you right now. Initiatives are now being carried out so that you can understand that we are very committed and putting a lot of energy into this topic. And we are going to unlock even more value from this logistics corridor through these actions.

I will now turn the floor back over to Ricardo, and I will be back for a final measures. Thank you.

Ricardo Pereira:

Great, Fabio. This path is key and very, very important, not only for Hidrovias but for other players in the region even countries like Paraguay, which depends on that logistics to receive all cargo and export of cargo because they do not have that direct access to sea. So it's very, very important for them also.

Well, moving on here, going on to slide number 12, if we may, in the result of the Northern Corridor, which was the most impacted now in the 4Q due to, yes, a very typical scenario of lack of rain with the influence of El Nino. We operated in October. We did a lot of restrictions. We carried out volume, but with variable costs per tonne, which were much higher than normal.

And we were out of operation for around 20 days in anticipation of maintenance work that would normally happen early in the year in order to take advantage of draft conditions, which were more challenging. So we moved that 889,000 tonnes in this last quarter, which of course, is below our full capacity for the period. But still, as we had record volumes in the 9M.

We ended the year of 2023 with 7.4 million tonnes moved. Once again, that volume is even higher than our estimated capacity, which is 7.2 million and will become 7.9 million at the end of this year, as you already know, because of new implementations.

Anyway, net operating revenue totaled R\$76.3 million in the quarter, reflecting the lower volume and worse mix because the integrated system was the one that suffered the most impact in the period. Ending the year, it totaled R\$751.3 million. which is a close figure to what we had in 2022, which had been a record in itself.

Adjusted EBITDA in the 4Q, as you can see, on the chart, on the right-hand side of the slide was negative because of that impact I just mentioned at R\$38.7 million, which reflects higher variable costs, lower dilution of fixed costs and expenses in the period we could not dilute those expenses because volume was below expected. And again, a very specific scenario that we have no indication will be repeated in 2024, just to be sure.

Still, we ended the year with adjusted EBITDA of R\$388.2 million, a very solid level, and margin of 51.7%.

Before you ask me, how is navigation going in the North, I can tell you that the scenario was so atypical that we have already returned to operating within normal seasonal conditions since the beginning of January of this year. And as you can see in the chart on the next slide. slide number 13. Still talking about the prospects for North in 2024 in

terms of draft, we are in normal operating conditions, and we have no indication that we should have a restriction scenario in the last quarter because, as I said, El Nino should end now in the middle of the year and the curve of decreasing drafts, which is normal around October, should happen more likely, keeping draft levels in line with our historical seasonality, different from what we had in 2022, which was quite different from what we had in 2023.

So regarding the crop year scenario, you can look at the next slide, in the slide number 14, even if we talk about the crop failure when compared to last year, we are talking about a very robust crop year, both for soybeans and corn. So it is a failure on top of a record crop, and still on top of a logistics crisis.

But we are 100% contracted for 2024 and we have a great resiliency due to our long-term contracts. They are long term, as I said, and all of them, even the ones we did on spot, they are in the format of take or pay and they need to be fulfilled for the most part.

And for flexibility's sake, we needed a failure of more than 20% in Mato Grosso for some contracts in Brazil for the whole projected crop in October, so that soybeans in January and then corn. But we do not see that happening.

As you can see in the bottom part of the slide, today, we have a failure of 12% in soybeans and almost 0 in corn. Therefore, giving us, I would say, great reassurance that we should not have impact related to crop failures. What we may have is a larger time concentration of soybeans because of a delay in marketing.

But the fact is if the volume does not come under those conditions, we will have the take or pay possibility at the end of the year, thus ensuring good results for the operation, okay? So that's the big advantage. And that's why our resilience comes from in contractual terms.

On slide number 15, we have the results from coastal navigation, which had a volume very much in line with the history of this operation, which, as you know, is dedicated to the transport of bauxite from Hydro Alunorte. 816,000 tonnes of bauxite moved in the 4Q and 3.4 million tonnes in the year. The net operating revenue of R\$59.7 million in the quarter and R\$227.5 million in the year. This contract is also pegged to the USD and has an exchange impact of course.

The adjusted EBITDA in the quarter totaled R\$23.1 million and in the year, R\$90.7 million, reflecting mainly higher cost related to docking of one of the dedicated assets because we need, as you know, when we need to charter, a third-party ship while ours is idle at the dock. And this asset is third-party asset, it is not in addition to having a cost not as efficient as ours that results in higher operating costs.

In addition to that, we had costs adjusted for inflation, union negotiations that have not been passed on to the tariff. It's worth mentioning, you remember that for this contract, we readjust tariffs every 5 years. So we hold off on inflation adjustments. And that every 5 years, we passed those numbers through to contracts. So there is this temporal disconnect. So in the next readjustment will happen in 2025, okay? Just to be sure.

It's also other than that, I think it's also worth noting that we have reached an agreement with the client regarding the arbitration process that was in progress, if you remember, going back to the end of 2022, with that we closed the arbitration process and turned our attention to the operation itself.

Going to our last business unit, if we may Santos on slide number 16, you can see on the left-hand side of the screen, made 462,000 tonnes of fertilizers in 4Q and almost 1.5 million tonnes in the year. We have, therefore, exceeded the performance we posted of the last tenant of the terminal.

And it's worth mentioning, we are still in the development curve, which shows that this operation has been very positive for the Company, and it should be even more next year.

We started the operation to move fertilizers by railroad last week. It's important to note the partnership with an important player, and that increases our potential volume in 2024. We should start very soon, the South operation. So we have good, very positive outlook for Santos, bringing impacts to 2024 already.

Net operating revenue for the quarter totaled R\$38.2 million, ending the year at R\$122 million, and adjusted EBITDA totaled R\$19.4 million for the quarter and R\$61.4 million in the year, with a margin of 50.3%, very much in line with what we had in mind.

Looking at the consolidated results on slide number 18, if we may, we have the CAPEX for the period, R\$118.6 million, which were invested in the quarter. And as we had already mentioned, there was a higher concentration of some payments at the end of the year relative to the Company's expansion projects such as buoys and pushers in the North, and the shipping via railway in Santos, which started last week.

In the year, consolidated CAPEX came to R\$320.2 million, in line with what we had planned, ending this great first cycle of investments made by the Company, which positioned us among the main logistics players in Latin America in just a few years of operation. In other words, we are now leaders in grain flow in Barcarena, leaders in iron ore in Corumbá, and one of the main fertilizer players in the port of Santos.

So on our side, we remain extremely diligent with our cash. As you can see on the next slide, we are striving to optimize our working capital, and therefore, minimize nonrecurring impacts, which were observed in the last quarter of 2023, a fact that allowed us to generate R\$17.1 million in cash, even with results below the Company's full potential.

The year cash generation was R\$77 million, and we ended the period with R\$830.5 million in cash, a level much higher than our short and mid-term needs. It shows our solid liquidity levels. This has contributed for us to deleverage the Company throughout 2023, as you can see on the next slide.

In other words, even with a challenging scenario that we had in the North and also in the South, as I mentioned, we closed the year with a net debt-EBITDA ratio of 4.24x compared to 4.88x at the end of 2022.

In other words, with all the challenges, we deleveraged the Company, showing, as you say, that the Company does generate cash, generates results, and we can see that throughout the year.

It's worth mentioning that there was a worsening compared to the previous quarter, 3Q, because of the change of the results for 3Q which is the LTM of EBITDA, while the 4Q22, you will remember, had been a record quarter. Now we have removed that, and we included 4Q23 for LTM, which is below our flow potential for reasons you have already mentioned.

We are not going to repeat that. But with this, we have this one-off situation as we will calculate the leverage company, the LTM approach, but without any other impact as soon as we go to a normal situation at the end of the year. That situation of leverage will be normalized. We continue with low cost and long-term debt. As you can see in the chart on the right-hand side of the slide. And we are preparing to further optimize our capital structure, generating a better balance.

That's also an important topic for us, a balance between currencies in relation to expected cash flows, probably seeking a domestic market to carry out a new issuance throughout 2024, repurchasing the portion of the USD pegged debt for 2020 that matures in 2025. So throughout 2024, we expect to be able to revisit that. And thus extending our average term for the debt.

So with that, I close my presentation. turn the floor back to Fabio, so that he can also give his final remarks. And then we can go to the Q&A moment. Okay. Thank you.

Fabio Schettino:

Thank you, Ricardo. Before I close, I will quickly go through a slide on ESG, which is one of our fundamental pillars we seek to contribute to diversification of the Brazilian logistics sources, developing a mode that is still under used, but much more friendly, more responsible socially, environmentally and which brings much more competitiveness to the entire production chain. So in this last slide, I show you that our team has been completely focused on execution throughout 2023, obtaining record results and getting stone from rock, as we say in Portuguese, in the 9M of the year. Focusing on execution in the last quarter, overcoming a typical external challenges. And with all that, without giving up our quest to optimize the way we execute everything.

So in this sense, we have achieved 100% of our short-term sustainability goals with some important deliveries, which places us in a different level, such as the publication of the first Integrated Report under the GRI standard; the delivery of the first two hybrid maneuvering pushers in Brazil, contributing to diversifying our fleet; and the conclusion of our inventory for residues, waste diagnosis of our environmental risks, among other important actions in the field of sustainability.

So this is our way of operating, this constant search for improvement, irrespective of the challenges and the scenarios we were going through. Those efforts assure us some awards, some acknowledgments from abroad, which are important last year, that I would like to also share with you today.

For example, the ATP Award for installing solar energy in our ATC in Miritituba, the transparency trophy for the quality of our financial statements, the Pro-Ethics Seal last year, an important landmark for the Company, and the inclusion of Hidrovias do Brasil in the Security Program Navigation in Amazônia. So we will continue to seek results consistent with our full potential, maintaining our values and our tireless search for improvements, efficiency and integrity, which is a nonnegotiable commitment that we have at Hidrovias do Brasil.

So thank you all for your attention during this call, and we are now available, Ricardo and me, for your questions or comments. Thank you.

Lucas Esteves, Santander:

Good morning. Congratulations on your results, and thank you for taking my question. I will start with the Northern Corridor. I have 2 observations to comment. We understand

you have already started the year 100% contracted. Ricardo said that for any flexibilization in the take-or-pay, we should observe 20% of a total crop failure. But we have been talking to some traders in the market, and it's their role to exert some pressure, saying that they have been having difficulty originating grains from Mato Grosso because of logistics costs, and that they would try to renegotiate take-or-pay conditions and so on with you, for example, and other players and railway operators as well. So I would like to understand from you if there are risks of having a take-or-pay contract more flexible, should a large client knock on your door.

Also, given that maintenance works were pushed in November and December, you saw a dilution of fixed costs and increase in variable costs, which led to a significant impact on 4Q margins. So the seasonality effect that you have always seen at the Company, would you say that, that effect would be less in 1Q in terms of margins for the Northern Corridor? So, could we expect a stronger EBITDA for the 1Q? Then I have other questions about Santos that I will ask later. Thank you.

Fabio Schettino:

Good morning, Lucas. Thank you for your question. I will address the first one about the North crop, and then Ricardo will address the second question. We do not envision any risks of that trigger that Ricardo mentioned, the 20% crop failure lever. That would be a proportional decrease in take-or-pay. We do not see that happening, not for soybeans. Soybean is going full steam. We are talking about 46% versus 40% last year. So it's moving forward unlocking sales.

One of the reasons for the delay would be lower prices out in the fields. We are now talking about price R\$103 to R\$105 per tonne, and it's starting to make more sense to move those grains and soybeans.

The main concern in the market until a couple of weeks ago, was around corn. And we have had very good news coming our way for the past week. So the corn quotes have already improved at a very good level that should not affect our take-or-pay terms. So we are talking about regular rainfall for the past 3 weeks.

The second crop corn is already over in terms of planting Mato Grosso. Trading has increased to 22% when compared to 19% before. So we are starting to move corn also. So the question is, what is the risk of us having to go back to the negotiation table and renegotiate take-or-pay contracts? The answer to that is non-applicable. That discussion will not happen because there will not be a crop failure to the level that would generate or lead to such a discussion. And we are quite reassured in stating that, much more so today than a month ago.

Our market intelligence team met with us 2 weeks ago, they travel around Brazil to the soybeans fields to have a more detailed analysis about how the crop is doing. And it's very good news we have to share with you. We are quite reassured about the crop.

But we do not believe this is going to happen. But just to be sure, if that were to happen, if the trigger had been activated, we had never had to touch in the take-or-pay terms historically, even in 2021, when you had a big corn crop failure. We received everything.

But that discussion, as I said, will not happen now. There will be no trigger. There will not be a crop failure to the level in which we would need to sit and renegotiate take-or-pay contracts. Things have changed, and we are in a much more bullish moment now, especially in what concerns corn.

Ricardo Pereira:

Thank you, Lucas. As for our expectations about 1Q, we are going to be back in a couple of months to discuss that, but there are very favorable moves happening now. We have been talking about a real tariff increase. We are talking about operating more days than we usually do, with the preventive maintenance in January. So there are other factors.

Sales were delayed earlier in the year. So we started the year transporting corn that had been pent-up or held off at the end of last year. But the sum of all that is very positive for the 1Q when we compare to the 1Q23. I think we are on the right track for a favorable 1Q for that corridor you asked about, not only in terms of tariffs, but in terms of the overall results. We may have an issue here or there, but the overall result should be positive, all in all.

Lucas Esteves:

Okay. Fabio, if I may talk about Santos, we see you are ramping up fertilizer volumes. If you could talk about the railway use for fertilizers, if you could explain that operation a bit more. Are there other bottlenecks that could be addressed?

And I would like to understand salt. You are going to start to store salt, and that operation works under very strict margins. So you have to have planned way in the back to have coastal navigation for salt to try and improve your margins. Having seen that the government did not approve that integrated solution, your intention was to talk with the regulator and then try to increase the capacity for fertilizers and better size the project. So how do you see that? Has that discussion moved forward? And if you could mention the railway use as well, please. Thank you.

Fabio Schettino:

Thank you, Lucas. For Santos, we have good news. First, the partnership with Rumo, a take-or-pay contract with Rumo, a 5-year contract to move iron through Santos. The lease did not contemplate railway, only highway road transportation. And we try to find a way to maximize our logistics, and we ended up identifying that the railway network was close to our terminals. So we established this partnership. Now we have railway possibilities to move iron.

It is a concrete fact, we are already loading. We started last week, and we will continue to do that. So that's great news because that adds capacity earlier in the year, several tonnes of fertilizers in addition to what we do by road. Nothing more than that to say that it's on time, on budget and operating in full steam as we speak.

As for the salt, this is another piece of good news, that we can share. We have finally signed our contract for the salt operations in Santos. The salt operation in Santos is a demand from the government to work with fertilizers and salt. Because salt has a lower margin, we had to work with different modeling approaches, of course.

We had a problem in the real wind in the Northern region with salt and what we couldn't move forward there. The analysis for Santos was always based on Santos. What happened was a delay in that negotiation because of commercial reasons. But the contract has been signed. And we will start operating in late May. We have a term, a deadline.

We have 25 years of lease and commercial relationship to fulfill around salt. We built 2 fertilizer warehouses. We had one warehouse for salt dedicated for this operation. So

we had this opportunity cost for this year, but going forward, we have a contract and we will start operating salt in late May.

And Rio Grande do Norte, our floating station which was not able to operate for that project is now working for iron ore. It's operational as is. So at the end of the day, we are reallocating the floating asset and the salt operation is still part of the terminal operations in an isolated manner.

Matheus Santana, XP:

Thank you. A follow-up on Lucas' question about the seasonality of the 1Q. I would like to better understand the renegotiation with the trading companies. You talked about volume, but in terms of tariffs, the volume of 2023 for 2024 carried over is still based on the tariffs for last year. So we can only see the true potential for 2024 as of the 2Q, correct?

And also, thinking about the start of the Vila do Conde buoy that you talked about last year, in what quarter do you expect to see that operational? Out of those 800,000 extra tonnes, how can you expect to see happening this year? And have you already invested the whole CAPEX, the R\$20 million you mentioned? Thank you.

Fabio Schettino:

Thank you for your questions. Negotiations for the 2024 crop season. Those negotiations are based on capacity offerings. And as there is a lack of available capacity to meet the growth of the agribusiness in Brazil, we have managed to get tariffs, which were 20% better than last year.

When you said about the terms of carryover from last year to this year, that's a volume of about 10%, which we negotiated with the clients so that they could perform that volume at last year's tariff. But it's only marginal. In terms of representativeness, it's close to 10%, slightly below 10% of carryover.

As you mentioned, trading companies are playing their roles saying that things will be different in this year. And the question is why? Because the capacity is there. We know the capacity that is installed and we know there's going to be a higher acreage, higher yields per hectare and a capacity which has been limited.

We have told the market that we will move the system from R\$6.5 million to R\$8 million in 2 years, using a lighter capital structure because we continue to deleverage the Company as we include our floating stations to provide support navigation in the North. It's a more tactical move than commercial move.

As for the buoy, we expect to have the buoy operational by August, Vila do Conde. The CAPEX has been fully realized, and we are now waiting for the company of Docas do Pará to authorize us to start using them, the buoys. So we are in negotiations with the authorities, not only Hidrovias do Brasil, but other 2 players have not been able to get the permits. It's a situation that makes us very uncomfortable, you have one of bidding process, but you cannot operate. But we need to address those issues with the government.

We are working hard on that front. We met the Secretary of ports, the Infrastructure Secretary, even the minister, so that they can issue those permits. It's only our right to do so.

But Matheus, our prediction, our provision is that we will have the permits being issued in the coming weeks. And then we will have the buoys operational as of August. That's how we see that going forward.

Filipe Nielsen, Citi:

Good morning. Thank you for taking my questions. Congratulations on your numbers. I have 2 questions. I will be brief. I would like to have a follow-up on that relationship with trading companies looking to 2025. There's an ongoing discussion about the negotiations environment for the next year in terms of transportation. And if you have already started discussing that with some trading company or not, so this will happen down the road.

And number 2, in terms of the competitive scenario in the North, I would like to understand how you see the competition on that front? So, partnership of Três Tempos and Caramuru earlier in the year, if you see that partnership has a potential opportunity as they will focus on terminals, or if that might bring about new competitors to the North. How do you see that? Thank you.

Fabio Schettino:

Thank you, Filipe. In terms of negotiations for 2024, 2025, the crop season 2024, 2025. It's not time yet to do that. We will start discussing that by September, October, but I have a very clear view of that.

As I just said to the last question I answered, that dynamic would change if there was a fundamental change and capacity vis-à-vis demand. That's not the case. If there is no change in sight in capacity and new capacity, why assume there will be a different dynamic? No, I do not see anything different. Maybe we will not be getting the same level of increases we had last year, but no major change. And of course, no decrease in tariff for the next crop season.

Again, the fundamentals allow us to state that. We will be talking about it as of September, but Filipe, in our case, we had started the year 100% contracted, slightly different from those who are still trying to get spot contracts. We have contracts with several clients, long-term clients. So we are in a much more reassured position as we start the year.

So we do not contemplate any issue, any problem. There is no reason, why for that to happen unless we had new capacity being added, but we know that's not the case.

To your second question, that has to do with competitiveness. Competitiveness in the North, and we know that is linked to the total cost from moving to the origin to the vessel, be it in Barcarena, be it in Santos, the roads are working well, they just came from this expedition I mentioned to Santarém and Sorriso, and BR-163 is working well.

So road freights are performing really well. It's only good news coming from highways, even considering toll of tariffs. And toll is always, of course, an issue. But we do not see a drop in that front. We are competitive on that region.

Competitiveness in the Northern area. When you look at the hydro portion, it has a lot to do with our business model. And I would like to reinforce that Hidrovias do Brasil has reached an operational scale today and of unit cost dilution, which is difficult to beat. 35 barges who have convoys of 20, 25 with the competition, and we have 35. We have a much higher capacity of loading 40,000 tonnes a day. That's difficult to be replicated by other companies.

And when we talk about the marginal capacity, that's even more true. So now is the time for Hidrovias do Brasil to occupy its competitive position, because we work around solid operations with very special assets, and it's difficult to have competition out there with us. Our scale is monumental, and that's how we conceived the Company.

So from the point of view of competition, we have never been so well positioned. Do not believe my words, look at the market. The North continues to be a place where we can only continue to gain market share. More than 50% of the soybean planted in Mato Grosso is moved through the North, because it's more competitive. So we are going through a good moment. So it's the right time for us to play the card of the good competitive position that we have.

Gabriel Frazão, Bank of America:

Good morning. Thank you. My question has to do with the CAPEX plan for 2024, if you could give us some color. How do you see investments for the year and the main projects for 2024?

Ricardo Pereira:

Thank you for your question. Let's break the question in 2 parts. We always talk about our recurring CAPEX. Our recurrent CAPEX, comparatively speaking to other modes in the market, we are much cheaper. That does not change, quite the opposite.

What we have mentioned this year throughout the year, the first main investment cycle in 2023 is already done. Our platform is ready to generate high EBITDA. And what we are doing now in terms of investments and growth, as Fabio mentioned, we are investing to grow temporarily, to increase our capacity in the North, not only across the integrated system from 6.5 million to close to 8 million tonnes, but also our capacity to reach a slightly higher level in Barcarena.

So CAPEX for this year, 2024, and also 2025 for growth is around those 2 major investments that I mentioned in the North. Maybe in Santos a little bit, but nothing major for 2024 for CAPEX.

And in terms of amounts, it will depend on what we have in terms of CAPEX for growth and recurrence. But something around R\$300 million, R\$400 million, combining the whole CAPEX, which is the level we have been working on for the past 2 years, consistently actually. If you look at 2022, 2023, it's almost the same number, R\$321 million, R\$320 million for the past 2 years. So quite consistent in that respect. And for 2024, we expect it at the same level, with a focus on the North, given the restrictions mentioned by Fabio and this imbalance in capacity that we have in that corridor.

Operator:

This concludes our Q&A session for today. I would like to invite Mr. Schettino for his final remarks. Over to you, sir.

Fabio Schettino:

Thank you all for your interest in the Company. I would like to leave you with a final message. The Company is now starting a new phase as the whole investment platform has been delivered, North Corridor, South Corridor, costal navigation, Santos port, our 2 JVs for pulp & paper in Paraguay, and Montevideo, at full steam, and we are now starting

phase where we need less CAPEX. And that's important because this platform should be able now to generate about R\$1 billion in EBITDA, normally speaking.

And what do I understand as normal situations? Normal navigation conditions. So why is it important to focus on the points that we spent half an hour talking about draft conditions? We need to solve that issue, so that the whole potential of that platform can be tapped and becomes that R\$1.1 billion in EBITDA that it's potentially able to generate.

And we can control that by our initiatives, especially along the Southern Corridor. We are not used to that kind of river, but we will now be addressing Paraná-Paraguay as a waterway in terms of navigation.

So, as I said, it's a phase of strong cash generation. We continue to deleverage the Company and having marginal investments in the North, and we continue on our journey, always aligning performance, sustainability and safety.

So that's the main takeaway. A new, interesting phase for the Company, and that's the result of what we have been doing for the past years to strengthen the Company. Thank you

Operator:

The conference is all over. Thank you all for participating, and have a nice day, everyone.