

## Local Conference Call

### COSAN

## 4Q17 Earnings Results

February 23, 2018

### Results Presentation

Good morning everyone, and welcome to Cosan S/A's fourth quarter and full-year 2017 earnings conference call.

As usual, I will start this presentation talking about each of Cosan S/A's business lines and then address the consolidated results. A highlight in slide 3: Cosan increased its interest in Comgás to 80% after exercising the option held by Shell against Cosan Limited. Cosan Limited, in its turn, sold this interest to Cosan S/A under the same terms and conditions.

So now let's move on to chart 4, where we will discuss the results of Raízen Combustíveis.

Despite the scenario of changes in the market, **Raízen Combustíveis presented positive results in 2017**. We remained focused on product supply and sales optimization along with the expansion and renewal of our service station network, reflecting solid results and sales performance above the market average.

**Talking about the 4Q17, volume sold was 4% higher than 4Q16**, a gain driven by ethanol and diesel, which grew by 34% and 9%, respectively. It is worth mentioning that ethanol gained competitiveness due to price adjustments of gasoline in the domestic market, which increased the demand for ethanol. In diesel, the agribusiness upturn and new B2B contracts signed by Raízen resulted in higher volume sold. Sales volume in the aviation segment was also noteworthy, with growth of 3% year-over-year.

**In 2017, total volume sold by Raízen grew by 3%** year-over-year, while volume sold in the country based on ANP figures grew by 1%. Looking at the Plural base, formerly SINDICOM, which concentrates the industry's three largest players, total volume sold shrank 1% in 2017. This growth reflects Cosan's consistent expansion strategy and sustainable relationship with Shell-branded services stations network, besides our exposure to relevant industry and agribusiness segments.

Now let's discuss our adjusted EBITDA and EBIT which reached BRL 806 million and BRL 653 million in 4Q17, respectively, down by approximately 10% year-over-year. This decrease is due to lower gains from Raízen's supply strategy in the period. I would like to remind you that the comparison bases were positively impacted by significant import gains in 4Q16 and inventory gains in 3Q17, both considered recurring parts of our operations.

In 2017, adjusted EBITDA was again in line with guidance, reaching BRL 2.9 billion, up 5% year-over-year. Improved results in 2017 reflect higher volume sold and greater efficiency of our supply and sales strategy.

Looking at 1Q18, we still see price fluctuations for diesel and gasoline nearly every day, in addition to the fluctuation in ethanol prices, bringing greater volatility, which may bring opportunities in the quarter.

Now referring to Raízen Combustíveis' Capex, BRL 781 million was invested in 2017. We had 6,272 Shell-branded service stations in our network, a net addition of 245 stations in the year. We continue capturing good and selective opportunities for network expansion through the conversion of new stations and, as importantly, the renewal of existing contracts, which have ensured the sustainable growth of volume sold.

**Now, let's move to Raízen Energia, slide 5** and just to remind you: This is the third quarter of the 17/18 crop season, so we will not refer to the full year result of Raízen Energia.

Cane crushing volume grew 17% to 13.3 million tons in 4Q17, on the back of the extended crushing period in December, which was due to greater sugarcane availability and drier weather. Sugarcane productivity was 8.4 tons of

TRS/hectare, a 4% drop due to a lower concentration of rainfall in the period, which negatively affected TCH, an effect partially offset by improved TRS.

With the conclusion of main crushing period of current crop, Raízen Energia crushed a total of 60.7 million tons of cane, up 2% compared to same previous crop period. Raízen's production mix totaled 55% of sugar in the nine-month period of the 2017/18 crop year, compared to 57% of previous crop. As we mentioned in the last conference call, this mix is an effect of continued profitability analysis by product: At current price levels, the anhydrous and hydrous ethanol offer a better return than sugar, thus resulting in mix optimization opportunities.

Increased production, coupled with the company's business strategy, enabled higher volume sold in 4Q17. Let's start with sugar:

#### Sugar:

- Sugar sales were up 2% this quarter. Average sugar sales prices in Reais, adjusted by the hedge accounting effects and currency hedge on sugar exports decreased 18%, already reflecting the drop in the commodity prices.

#### Ethanol:

- **Ethanol** sales volume was in line with 4Q16. With higher volume produced this quarter, we ended up stocking more products targeting to take advantage of better prices in the crop's last quarter. Although ethanol gained competitiveness against gasoline in the period, ethanol's average price was 11% lower than 4Q16.

#### Cogen:

- Concerning bioenergy, higher bagasse availability enabled higher electricity production, which added to higher trading volumes, resulted in exports 49% higher than 4Q16. Average energy price sold was BRL 280/MWh, 59% higher than 4Q16.

**Before discussing EBITDA, I would like to point out results obtained with Raízen's cost-saving efforts.** In 4Q17, the unitary cash cost of products, in sugar equivalent, went down 16% to BRL 601 per ton. This reduction is due to a continued focus on capture of efficiencies in agricultural and industrial operations, as well as higher dilution of fixed and lower CONSECANA average

price in 4Q17. When we exclude the CONSECANA price effect, even so, unitary cash cost was 7% lower than 4Q16.

**Raízen's adjusted EBITDA went down 11% to BRL 891 million in 4Q17, mainly due to lower sugar and ethanol average prices in Reais.** This quarter, the average export's foreign exchange rate was BRL 3.61 versus BRL 3.24 of average shipment's foreign exchange. Thus, we had a positive effect of BRL 94 million recorded in our financial results referring to currency hedge instruments contracted to calculate revenue in Brazilian Reais. I also want to remind you that the basic goal of the hedge policy of Raízen is to protect the exchange rate and the commodity, always looking at the prices stated in Reais.

**Let's now see the sugar hedge graph.**

Nearly all of this 2017/2018 crop's sugar is accounted for export with an average price of BRL 65 centavos per pound. Looking at the next crop, we still see short-term prices pressured by an expected surplus in global inventories and a greater potential supply from other producing countries.

Therefore, at the end of December, we had approximately 20% of total sugar to be exported in the 2018/19 crop hedged at the average price of BRL 52 centavos per pound. This pricing is at level lower than previous crop but observing our hedge policy. We believe that a crop with less available sugarcane in the center south region and a more favorable ethanol mix could bring a positive effect in global sugar prices this year. We remain focused on having a more efficient operation, with improved management of invested and working capital, as we continuously seek to maximize business return, irrespective of price.

**Let's see our last graph – CAPEX. Raízen Energia's CAPEX totaled BRL 520 million, in line with the crop year's guidance.** The 14% increase reflects (i) higher expenses relating to sugarcane field renovation and maintenance due to the increased harvest, (ii) mandatory investments in health, safety, and environment (HSE) and (iii) investments in renovation of agricultural equipment.

Now, let's talk about Comgás, on slide 6.

Since Comgás already reported its results yesterday, we will only touch on the main points of this business.

**Following the upturn seen over the last quarters, in 4Q17 and in 2017 Comgás recorded 4% growth in total sales volume**, excluding thermogeneration. A gradual improvement of the economic activity in Brazil enabled the industrial segment growth in 2017. In the residential segment, the addition of 105,000 clients in the last 12 months drove 5% higher volume sold in 2017. In the commercial segment, a combination of improved indicators and 900 new clients resulted in 6% volume growth in 2017.

**Comgás' EBITDA, normalized by the regulatory current account effect, was BRL 416 million in 4Q17 and BRL 1.7 billion in 2017**, up by 16% and 19%, respectively. The EBITDA result ahead of 2017 guidance is the result of higher volume distributed, margin adjustment due to inflation in May 2017, and operating expense efficiencies.

In 2017, **Comgás recorded a net return of BRL 193 million of the regulatory current account funds** to clients. As a result, IFRS EBITDA went down 23% to BRL 1.5 billion. Although normalized EBITDA is the best metric to monitor our business' operational performance, the return of regulatory account funds in 2017 impacted operating cash generation, as we will detail ahead.

**Comgás' investments totaled BRL 152 million in 4Q17** and BRL 460 million in 2017, in line with announced guidance and reflecting Comgás' efforts toward network saturation.

Now, let's move to slide 7.

Starting with results of **Moove, our lubricants business unit**.

**Despite the recovery seen in the past quarters, the Brazilian lubricants market is still challenging and recorded 1% decrease in 4Q17. At Moove**, total sales volume was in line with the same period last year and finished lubricants sales in Brazil and in the international markets increased in 4Q17.

**In 2017, total volume sold by Moove grew by 6% year-over-year, reflecting our consistent business strategy.**

**Moove's EBITDA was BRL 34 million in 4Q17 and BRL 175 million in 2017, up 29% year-over-year.** This result reflects higher sales volume in all the markets in which the Company operates and a better product mix.

**Let's now turn to Cosan Corporate, on the right on the slide.**

**General and administrative expenses reached BRL 44 million in 4Q17, slightly above 4Q16 and BRL 159 million in 2017, down 4% year-over-year, reflecting the** Company's continued efforts to control costs and expenses.

**On the other hand, other operating revenue was positive at BRL 973 million in 4Q17,** impacted by a non-recurring effect of BRL 1 billion referring to the sale of credit rights, as announced to the market. It is worth mentioning that the impact of this sale on net income for the year was of BRL 788 million.

**Moving on to slide 8, we present the consolidated results of Cosan S/A on a pro forma basis, i.e., considering 50% of Raízen's results.**

**First, the consolidated EBITDA:** Despite a 7% drop of adjusted EBITDA this quarter, 2017 was marked by record results, as we achieved 10% growth to BRL 5.1 billion. Again, our business portfolio was resilient and all our operations recorded an increase in EBITDA.

**Net income, also adjusted by non-recurring effects** mentioned above grew by 53% to BRL 953 million. Improved operational performance and lower financial expenses in the year contributed to net income's growth.

Let's now move to the next slide.

**Pro forma gross indebtedness, including 50% of Raízen's results, was up 10% in 4Q17,** highlighting the BRL 700 million funding in Agribusiness Receivables Certificate (CRA) and BRL 1 billion in Exports Pre-Payment, both at Raízen, as well as the issue of BRL 400 million in debentures at Comgás.

**Pro forma net debt, which includes obligations with preferred shareholders, was BRL 11 billion at the end of 4Q17, up 12% quarter-over-quarter.** This was impacted by Cosan's cash disbursement of BRL 833 million to acquire the equity interest in Comgás previously held by Shell.

The Company's pro forma leverage dropped from 2.1x to 2.0x Net Debt/Pro Forma EBITDA, as a result of improved EBITDA and the Company's efforts to maintain a healthy working balance in its capital structure. The pro forma average cost of debt was 107% of CDI and if we consider the accounting figure, excluding Raízen, the average cost increased to 112% of CDI. It is worth mentioning that we have pre-fixed debts, mainly in Comgás, which now are compared to an even smaller CDI.

**Free cash flow to equity (FCFE) totaled BRL 643 million in 2017.** It is worth noting that we had few relevant impacts to 2016 and 2017 cash flow.

In 2016, we had:

1. Divestments of Radar, which impacted 4Q16 with a cash inflow of BRL 1.0 billion, and of the interest held by Raízen Combustíveis in STP of around BRL 200 million (50%); and
  2. Dynamics from Comgás' regulatory current account which favored cash generation in 2016.
- 2017 cash main impacts were:
    1. Cash disbursement due to the acquisition of Tonon mills (approximately BRL 400 million, accounting for 50%) and
    2. Acquisition of Comgás' shares, as already mentioned, totaling BRL8 33 million.

I would like to note that the BRL 1.3 billion cash referring to the sale of credit rights was recorded only at the end of January 2018 and did not impact 4Q17 cash.

Let's now move to slide 10.

**Before presenting our guidance for 2018, we will account for the following:**

2017 revealed several signs of economic recovery in the country after two consecutive years of decline, but was still marked by relative volatility.

Our business portfolio evidenced again not only its resilience, but also its capacity to grow despite an adverse environment. For the 8th consecutive year,

we achieved our targets and we delivered Cosan's pro forma EBITDA guidance. A continued focus on management, rationality, and efficiency resulted in EBITDA growth and investments in line with budget in all businesses.

With a quick reminder that Raízen Energia will end its current 17/18 crop year at the end of 1Q18, but we expect it to be in line with guidance.

Let's now turn to the next and last slide of our presentation, slide 11, and discuss our guidance for 2018.

**First, I will talk about projections by line of business and then the consolidated forecast.** Given Raízen's budgetary process continues during the crop year, Raízen Energia and Raízen Combustíveis figures are preliminary.

Starting with Raízen Combustíveis – for 2017, depending on the economic scenario and industrial and agricultural activity during the crop year, we may expect certain fuel consumption growth (low to mid-single digit). Here, we can split dynamics into main sectors:

- **At Otto cycle**, we have been monitoring sales increase in light vehicles and the recovery of economic indicators, relevant for consumption upturn.
- **Concerning diesel**, we are well-positioned to capture the resumption of industrial activity. Our exposure to agribusiness also should positively impact sales.
- **In the aviation segment**, we have seen some improvement in the sector which may result in increased sales volume.

Referring to EBITDA, we foresee a repetition of the market volatility that marked the past two years. The last three years were impacted by new fuel and import pricing policy already considered recurring part of business. For 2018, we estimate an adjusted EBITDA range of BRL 2.850 to BRL 3.150 billion. Here we don't have any change in our strategy. We will remain focused on business profitability via optimization of our supply and sales strategy (which are higher or lower depending on the market dynamics), expansion of the offering of service stations, and continued efforts to reduce costs and expenses.



**CAPEX: We still see good conversion opportunities in the market . Here we are targeting a net addition of approximately 300 service stations in the year.** The Capex range includes the possibility of speeding up conversions, renewing contracts with current service station network, dealers and investments in infrastructure.

**Now referring to Raízen Energia, in the table highlighted on the bottom on the slide, I would like to first talk about the current crop year ending in March 2018. We ended the main crushing period of the year with 61 million tons of cane,** with an insignificant amount to be processed in March. Sugar production volume should be closer to the range's lower level due to prioritization of ethanol production at the end of this crop, which means a change in the product mix prioritizing the relative profitability of products. Electricity sales expectations should be above guidance due to production optimization and greater trading opportunities within this crop.

**We remain confident we will deliver EBITDA within the midrange of guidance for the 2017/18 crop year.**

**Let's now talk about our estimates for the 2018/19 crop year to start in April.**

It is still early to have a precise estimate of crushing, as we are in the middle of the off-season period. To date, weather has been regular with good rainfall volumes in main producing regions. Our base scenario is crushing in line with current crop results, only adding in crushing expected from mills acquired from Tonon, of approximately 3.5 million tons. Therefore, 2018/19 crop year crushing should stand between 63 and 67 million tons.

**We expect next crop's productivity to be similar to the 2017/18 crop year. We remain performing our daily analysis of product profitability, and as a result, we should have a mix mainly composed of alcohol when compared with previous crops.**

Referring to prices, let's start with sugar dynamics. India and Thailand crops should improve and Europe should sell production surplus volumes, in line with the market's expectations. On the other hand, a few consulting firms predict a

gloomy outlook for Brazil's crop (within a wide range, depending on the consulting firm) and we may have a third year in a row of crop failure, with reduced TRS and a relevant alcohol mix. Funds are still active in sugar trading, bringing more volatility to prices. In line with our hedge policy, we are seeking to hedge sugar appropriately.

Referring to ethanol, the domestic equation of supply and demand has been impacted by Petrobras' pricing policy. Ethanol gained competitiveness and saw higher demand. Prices has been rising since mid-2017, following gasoline price increases. We believe that when the crop starts in April, a price adjustment may occur due to preliminary signs of an alcohol crop in Brazil, but still well within the boundaries of a very healthy scenario.

Referring to Raízen Energia's EBITDA, we estimate a range between BRL 3.4 and BRL 3.8 billion. The forecasted result, below the previous crop's EBITDA, already takes into account lower sugar prices than those of the previous crop, partially offset by better estimated ethanol prices, sales activity, energy sales and trading, and continued efforts to reduce costs and expenses through processes and technologies we have been implementing in our operations.

CAPEX ranges between BRL 2.4 and BRL 2.7 billion, mainly impacted by:

- Higher level of recurring investments, mainly connected with operations recently acquired from Tonon
- Projects resulting in greater cane availability and adequate renewal of the canebrake
- New logistics/infrastructure projects for sugar/ethanol
- And the impact of inflation

At Comgás, we estimate a volume (excluding thermogeneration) between 4.4 and 4.6 million m3 supported by the addition of new residential and commercial clients, assuming some recovery of economic activity.

The normalized EBITDA range is between BRL 1.770 billion and BRL 1.870 billion, reflecting volume growth and lower expected inflation in 2018, which is the basis for annual tariff adjustment to our margins.

Finally, we maintain the CAPEX guidance of the last two years, in line with the expansion strategy, network saturation, and continued discipline in cost management.

Looking at Moove's guidance: The EBITDA range for 2018 should stand between BRL 200 and 230 million and takes into account higher volume in the Brazilian (low-single-digit growth), in line with improvement already seen in 2017. The expansion and performance of our international operations continue contributing to EBITDA growth.

**With this, consolidating all business expectations, we reach a consolidated guidance for Cosan's Pro forma EBITDA between R\$ 5.0 and R\$ 5.4 billion, representing an increase when compared to 2017.**

That concludes my presentation on our quarterly results. Thank you all, and let's move to the Q&A session.

### **Question-And-Answer Session**

**Operator:** Thank you. We will now begin the question-and-answer session [Operator Instructions]. Our first question comes from Vito Ferreira with BTG Pactual.

**Mr. Vito Ferreira:** Hi, guys, good morning. First of all, regarding the guidance provided for 2018, we could see a large increase in this EBITDA for the fuel distribution business, why your Capex increased approximately 15% based in the mid of the guidance range. I would like to understand where do you intend to employ such a higher Capex for this year. And my second is regarding the sugar and ethanol business. I'd like to have a higher sense of your sugar price expectations for the coming crop year. In summary, what do you expect for prices mainly taking into account the strong shift of Brazilian producers towards ethanol and their potential decrease of sugar supply in a global context? Do you believe that such production shift in Brazil was able to significantly reduce the global sugar supply/demand? Thanks a lot.

**Mr. Guilherme Machado:** Vito thanks for your questions. First, talking about the guidance for the Capex for fuel distribution. So this is almost like the same Capex guidance that we have provided to the market over the last - at least, last year, it's the same. The top of the range of the guidance considers for us to speed up the conversion of white flag stations to our network. So we have targets of volume in this business and the number of deals that we're going to effectively achieve, it depends on the pipelines of transactions that we're going to have. So we have guided the market for approximately 300 new conversions over the year. But it's important to remember that this not only includes the conversions, but also the maintenance of the current network, it includes supply and the logistics, and at the end of the day, it's the full package of Raízen in order to supply and to source our short, as we have made over the last years.

Talking about the mix of production. Our view in terms of prices for the sugar and ethanol business, I think this is a very tough question. At the end of the day, what we can guide the markets, that markets are much more connected than ever, now that Petrobras is following international parity and moving up the price of gasoline, increasing the attractiveness of the price of ethanol domestically.

What we can say is that we have been hedging less than we have hedged at the same period of last year, this is almost a view that prices have a potential upside with a changing mix in Brazil, offsetting good productions in the other producing countries. So at the end of the day, we're going to monitor this marketing very closely. And within our policy, we're going to hedge at the most attractive levels we can have over time.

**Mr. Vito Ferreira:** Perfect. Thanks a lot, guys.

**Operator:** The next question comes from Alexandre Falcão, HSBC.

**Mr. Alexandre Falcão:** Good morning, guys. Quick question on the cash flow generation now, with the BRL 1 billion that is - or going to come in the first quarter end, of course, the offloading of inventory, you're going to go to a very comfortable leverage position. Can you tell us what the natural cash flow for the

year, what you'd do with that cash? Can you give us - it's more deleveraging, more dividends, can you talk a little bit about that?

**Mr. Guilherme Machado:** Hi, Falcão. Thank you for the question. Well, regarding the usage of the cash, certainly, the company will keep the track record of dividend payments in line with the previous years. And on top of that, we have to serve our G&A, the corporate expenses, but there is an opportunity here for liability management. If you remember, we have the 2018 bonds that mature this year and we have potentially another opportunity on this sense. And also it's important to mention that we have a share buyback program that is open. We haven't been active in this program, but certainly, it's a very accretive use of this cash over the year. So these are the main buckets that we can address the usage of this cash.

**Mr. Alexandre Falcão:** Okay. But you can - what is the ideal leverage that you guys want to have?

**Mr. Guilherme Machado:** Yeah. So as we have guided the market for the past quarters, the ideal range is between 2 to 2.5 times EBITDA. Currently, we are at 2 times. We don't see that changing that much. We're going to be around these levels, which we consider to be a very comfortable leverage position.

**Mr. Alexandre Falcão:** Okay. Anything below 2 times probably is going to be buyback or dividends, right?

**Mr. Guilherme Machado:** Yeah. We don't foresee this is the target that we have, so we're going to optimize the structure to be within this range.

**Mr. Alexandre Falcão:** Okay. Just one more follow-up question on the hedging policy. When do you throw the towel in and just hedge your 50% exposure according to your hedging policy at least for your own cane. I know that you guys have a positive view on the price of sugar going forward, but when you will be - you're going to have to hedge at least your own cane for the hedging purposes?

**Mr. Guilherme Machado:** Well, Falco, as you mentioned, so we have the policy, minimum 20% and maximum 80% of the next 12 months.

It's to open the strategy when we're going to access the market and we're going to have to be within the policy. It's almost like open our full strategy. So I rather prefer to keep that on internal information. But at the end of the day, we're going to look to the curve and we believe that prices have more upsides than downsides in looking to the fundamentals. So we're going to monitor that. So at the end of the year, when the prices went up to \$0.155 per pound, we increased our position, so these are the type of opportunities that we're going to pursue over the year.

**Mr. Alexandre Falcão:** Okay. Perfect. Fair enough. Thank you.

**Operator:** Our next question comes from Fernanda Cunha with Citibank.

**Ms. Fernanda Cunha:** Hi. Good morning, everyone. I have two follow-up questions. The first one is regarding the Capex for Razen Combustveis. Would you be able to break down exactly how much is maintenance Capex and how much is expansion Capex? I just wanted to understand, if you are at the high point of the range, how many net - I mean, how many plus fuel stations are you aiming to add to your portfolio? I guess the 300 of net fuel stations is at midpoint Capex, I just wanted to understand what would be the maximum goal. And the second one is regarding production cost in Raízen Energia, when we exclude the CONSECAN prices, the fourth quarter results were 7% below year-over-year. I wanted to get a feeling of how much exactly – what were your initiatives to bring down this cost and how much – can we see this on a recurring basis? Thank you.

**Mr. Guilherme Machado:** Hi, Fernanda, thank you for your questions. Talking first about the Capex for the fuels distribution business. I would say that in general terms, 80% of the Capex is towards renewing the current contracts with our dealers, and also the conversion of white flag stations to our network. And the remaining 20% is related to infrastructure, so investments in our depots,

terminals, logistics and so on. So basically this is what we have, in broader terms, the usage of the Capex of the fuel distribution business. Relating to the initiatives that the sugar and ethanol business, Raízen Energia, yes, we are frequently and, I would say, obsessively looking for cost cutting or optimizations in the business. We have implemented several strategies and initiatives that have been, I would say, already yielding results. And I would say efficiencies - the journey of efficiencies includes centralizing the logistics, monitoring the cost loading and transportation initiatives. We have been optimizing the clusters, we have been implementing Capex for the maximization of the availability of sugarcane and several initiatives. And I haven't mentioned the technology initiatives that we have been developing in order to monitor the shape of our sugarcane field. So at the end of the day, these are initiatives that together compounds all the efficiencies that you see in the figures, you see in the numbers. And we'll keep doing that over time and in the best way possible.

**Ms. Fernanda Cunha:** Okay. Thank you. But if I may just follow up, so should we be looking next quarter is the same production cost, excluding the CONSECAN effect, for your 2018/2019 crop?

**Mr. Guilherme Machado:** That's our challenge. And we keep pursuing that. So we have the integration of the Tonon mills, that was very well accomplished and this potentially is going to reflect in results. So the targets here and the main objective here is to improve the return regardless the prices and this also links to the efficient way that we manage our costs.

**Ms. Fernanda Cunha:** Okay. Perfect. And thank you very much.

**Operator:** Our next question comes from Petr Grishchenko with Barclays.

**Mr. Petr Grishchenko:** Good morning, gentlemen. Thanks a lot for taking my questions. I got few, so first, can you please provide an update on the strategic alternatives regarding Comgas? You announced that you might hire financial legal advisors. Basically, has there been any progress since you made that announcement?

**Mr. Guilherme Machado:** Sure, Petr. Regarding Comgas, there's nothing much to say at this point. So the company has been evaluating potential scenarios for the structure, but nothing that we can disclose so far. For the time that we reach a structure, if we reach some, we're going to communicate the market properly.

**Mr. Petr Grishchenko:** Okay. Then just to elaborate, you said there are a couple of scenarios, can you give us at least an indication of what are the possibilities that you're thinking of?

**Mr. Guilherme Machado:** Unfortunately not, it's internal materials that we're going to disclose to the market when we're prepared. Sorry about that.

**Mr. Petr Grishchenko:** Okay. My next question was on this financing for Shell Argentina purchase. Can you elaborate like how Raízen is going to fund the acquisition?

**Mr. Guilherme Machado:** Well, we are participating in a process. We have made our binding offer and we have communicated the market. And just to remember, this is Razen Combustíveis, which is the fuel distribution arm of Raízen that is participating on the business, not Cosan, just to be clear. So at the end of the day, this is a process that now is in the hands of Shell. And we are - as we are in a competitive process, we are waiting to hear what are the conclusion of this process whenever Shell is ready. So in other words, there is no definition as of now.

**Mr. Petr Grishchenko:** Okay. And can you tell us what's the - sort of based on the purchase price that was announced, what's the implied EBITDA multiple on all the assets?

**Mr. Guilherme Machado:** We haven't any official information on this and we haven't officially communicated anything of these figures to the market so far. So there's nothing - or there's nothing much to share at this point.



**Mr. Petr Grishchenko:** Okay. I guess, what I'm trying to say is directionally, you would expect leverage at Raízen to increase on the acquisition, right, because I don't think there was any announcement that companies might use equity, right?

**Mr. Guilherme Machado:** Yeah. What we can say at this point is that, as a policy, Raízen will not compromise its investment grade rating through any deals or any acquisitions including this one. So at the end of the day, financing strategy or other figures of any potential deal at Raízen takes into consideration this criteria.

**Mr. Petr Grishchenko:** Understood. And then my next question is on the perps, I think there's a footnote that says the company hedged interest on the perp notes for 18 months. Is there a specific reason for this and is it wrong to maybe imply that you might call the bonds in 18 months?

**Mr. Guilherme Machado:** So for the hedging of the interest payments of the perp, the properly statement is that we hedge the payments between 24 to 36 months. And I'll hand over to João Arthur, who is the Head of Finance of Cosan for additional comments.

**Mr. João Arthur:** In reality we hedged for 36 months, and we re-hedge to maintain 36 months when we get close to 24 months. So it's basically between 24 and 36 months.

**Mr. Petr Grishchenko:** Okay. And - okay, 24 to 36 months, I mean, it's still a question, but why did the footnote in the presentation says 18 months or it's just like a shorter lag, there are several hedges, I guess?

**Mr. Guilherme Machado:** Well, Petr, I ask you to just understand what the proper is, but I assume that the current to hedge is up to 18 months, but I'll check later.

**Mr. Petr Grishchenko:** Okay. And my last question, if I may. Have you spoken to the rating agencies recently, and do you have a sense of you know where the metrics need to be to get upgraded or potentially get to IG similar to Raízen?

**Mr. Guilherme Machado:** Well, this is a broader discussion. It includes the sovereign rate of Brazil that caps the ratings of some corporate names, including ourselves. But we have been discussing with them in a frequently basis in order to give what are the forecasts and projections of the company. So it's a - we have, I would say, an agenda with them, but this is the scenario that we're living today.

**Mr. João Arthur:** We discuss with them frequently, this situation. The reading of our credit position is that we are in a good situation, but as Guilherme mentioned, we are capped by the sovereign rate.

**Mr. Petr Grishchenko:** Understood. Thanks a lot for your answers and best of luck to you.

**Mr. Guilherme Machado:** You're welcome.

**Operator:** Our next question comes from Alexandre Falcão with HSBC.

**Mr. Alexandre Falcão:** Thanks for the follow-up. I just wanted to know, since you guys were so successful on integrating the Tonon assets and just wanted to know, if there would be any chance of you looking for opportunities in the marketplace, specifically on the ADM-Bunge deal. If that goes through, ADM clearly states that it doesn't want to have anything to do, first, on the trading side, second on the sugar production side. Would any of those assets interest you in any way shape or form? Thank you.

**Mr. Guilherme Machado:** Falcão, what can I say that, Tonon was a very unique opportunity for Raízen. And if you remember, this was the first deal after the merge between Cosan and Shell assets for the formation of Raízen. So it met several criteria. I would say it was a very tough firewall to go ahead with this

transaction. And I would say that we are not in the mood of consolidation in the sector. So as we are one of the largest - I would say largest player in this sector, it comes to us, every single deal, but we have been very selective as we made the acquisition of Tonon mill. So the straightforward answer is that there's almost very low interest just to go ahead with consolidation in this business. As we saw in Tonon a very good opportunity, we made it. Any other deals, we don't have in our radar so far.

**Mr. Alexandre Falcão:** Yeah. Thank you. The same applies with the trading business that they have or that would interest you a little bit more?

**Mr. Guilherme Machado:** Can you repeat that again, sorry?

**Mr. Alexandre Falcão:** No, would you be - the same applies on the sugar trading business that they have and are putting for just sale or same rationale applies?

**Mr. Guilherme Machado:** I think same rationale applies. So we have a very strong, I would say, trade intelligence in our operations. So I would say that would make little sense to go ahead in this transaction with this motivation I would say.

**Mr. Alexandre Falcão:** Okay. Perfect. Thank you.

**Operator:** [Operator Instructions] That concludes the question-and-answer session for investors and analysts. I'll turn the conference over to Mr. Machado to proceed with his closing statements.

**Mr. Guilherme Machado:** So I'd like to thank you again for joining us for the earnings call for the year of 2017. I'd like to highlight that we have our Cosan Day, our Investor Day, on the next month. It will be in New York, it will be in the 16th of March and in So Paulo in 19th of March. So we are going to be very pleased to meet you all and discuss the strategy of the company for the future, so join us. Thank you very much for the presence in the call and we'll talk in the next earnings. Bye bye.

**Operator:** This concludes Cosan's audio conference for today. Thank you very much for your participation. Have a good day.