Conference call transcript
Q1 2026'27
Raízen S.A. (RAIZ4)
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Operator

Good morning, everyone, and thank you for joining us today.

Welcome to Raízen S.A.'s earnings presentation for the first quarter of the 2026/27 crop year.

This conference call is being recorded, and the replay will be available on the Company's Investor Relations website, ri.raizen.com.br, as well as on Raízen's YouTube channel.

To select your preferred language, simply click on the "Interpretation" button through the globe icon at the bottom of the screen and choose between English and Portuguese. You may then choose to mute the original audio.

Please note that all participants will be in listen-only mode during the presentation. We will then begin the Q&A session, when further instructions will be provided.

Before we proceed, I would like to reiterate that forward-looking statements are based on Raízen management's beliefs and assumptions, considering the information currently available to the Company. These statements may involve risks and uncertainties, as they relate to future events and, therefore, depend on circumstances that may or may not occur.

Investors, analysts and journalists should consider that developments related to the macroeconomic environment, the Company's industry and other factors may cause actual results to differ materially from those expressed in the respective forward-looking statements.

Joining us today are Raízen's executives Nelson Gomes, CEO; Lorival Luz, CFO; and Phillipe Casale, Investor Relations Officer.

I will now hand the call over to Mr. Phillipe, who will begin the presentation.

Phillipe, please go ahead

Phillipe Casale

Good morning, and once again, thank you for joining our earnings call for the first quarter, which marks the beginning of the 2026/27 crop year.

Before going into the results, I would like to highlight a few changes in the way we are reporting our business segments as of this quarter.

First, our Fuel Distribution operations in Argentina are now being presented under "Discontinued Operations", following the progress made on the sale of our operations in the country, which was announced on June 4.

In addition to the operating results, this quarter we recognized accounting effects related to the transaction. These are non-cash effects associated with the revaluation of the assets classified as held for sale.

The transaction is still subject to approval by the relevant regulatory authorities, and once closing takes place, we will formally communicate it to the market.

The second change relates to the allocation of corporate expenses and the results of subsidiaries that were previously not allocated to our business segments. As of this quarter, these items, which were previously reported under “Other Segments”, have been allocated between our two core businesses: EAB and Brazil Fuel Distribution.

This change simplifies our reporting structure and makes our results easier to analyze.

Finally, I would like to highlight that, on July 30, we obtained court approval of our Extrajudicial Reorganization Plan. Our focus is now fully on implementing the preparatory steps required to satisfy the conditions precedent within the expected timeline.

This quarter, I will start by presenting the results by segment, and we will conclude with the consolidated results.

So, let’s start with ESB.

We started the 2026/27 crop year against a challenging backdrop for the sector, particularly due to weather conditions and the commodity price environment.

Regarding weather, the more pronounced effects of El Niño brought above-average rainfall for this time of year, directly impacting quarterly crushing volumes due to disruptions to harvesting operations.

This effect can also be observed when looking at the same mill base presented in the chart. As a reminder, we started last crop year with 29 mills in operation and, following the completion of our divestments, we are starting the current crop year with 24 production units.

Agricultural yields were also impacted by two main factors.

The first is that the sugarcane processed during the quarter was concentrated in areas where the crop was still at an early stage of maturity. We expect part of this effect to be offset throughout the crop year as we move into areas with higher yields.

The second factor relates to lower rainfall during the sugarcane maturation period in the previous crop year, particularly in certain regions of São Paulo state.

Regarding our production mix, ethanol accounted for a larger share compared to the previous crop year, reflecting both feed stock quality and the relative profitability dynamics between products. This higher ethanol mix also explains the increase in ethanol sales during the quarter, as we sought to capture the more favorable prices seen at the beginning of the crop year.

Sugar volumes, in turn, were lower, in line with lower production volumes. Pricing reflects our advance price fixation strategy, resulting in realized prices remaining above the spot prices observed in the market.

Moving to the next slide, the decline in ESB EBITDA during the quarter was driven by two main factors.

The first was lower realized prices for sugar, ethanol and bioenergy. The second was the divestment of five mills during the previous crop year, which are no longer part of our current asset portfolio.

Although the current pricing environment has weighed on our results, we benefited from a more favorable cost dynamic, even when excluding the lower cost of third-party sugarcane, which is indexed to Consecana.

When we look at the costs within our control, we once again delivered structural gains in operating efficiency, driven by the transformation initiatives we are implementing across both our agricultural operations — including sugarcane cutting, loading and transportation — and our industrial operations.

These advances, together with the lower cost of third-party sugarcane, helped offset inflationary pressures and the lower fixed-cost absorption resulting from agricultural yields coming in below expectations.

Moving on to our Brazil Fuel Distribution segment.

The quarter continued to be marked by volatility in oil and fuel prices, against a backdrop still impacted by geopolitical tensions.

This environment required agility and discipline in executing our supply strategy, ensuring supply availability and maintaining the competitiveness of our core customer base of contracted Shell-branded service stations.

We delivered another quarter of operational improvement, with sales growth across both the Otto cycle and diesel.

This performance reflected a healthier competitive environment, driven by continued progress in combating the irregular market, as well as consistent execution of our commercial strategy, including the expansion of our active service station base.

We continue to strengthen our relationships with our dealers and expand the implementation of our value proposition, with particular emphasis on the resumption of growth in Shell V-Power premium products.

We also continued to capture structural efficiency gains. We made further progress in expense management and optimized the utilization of our bases and terminals, while also benefiting from the simplification of our operating structure.

Higher asset turnover, driven by increased sales, together with operating efficiency gains, enabled us to expand our profitability.

As a result, adjusted EBITDA increased both sequentially and year over year.

Another highlight was the improvement in recurring working capital, particularly through more efficient inventory management, aligned with both our supply strategy and our commercial strategy.

As a result, Raízen's consolidated EBITDA increased year over year.

The improvement in Fuel Distribution more than offset the more challenging backdrop for sugar and ethanol, including lower agricultural yields and prices, as well as the reduction in our mill portfolio following the divestments that have already been completed.

The net loss for the quarter primarily reflected higher financial expenses. As a reminder, interest expenses continue to accrue through the P&L, as well as the accounting effects related to Discontinued Operations, which have no cash impact.

It is also worth highlighting that Capex declined by 33% during the period, reflecting our disciplined approach to capital allocation, while preserving investments in the expansion of our Fuel Distribution business and maintenance capex in EAB.

Operating cash flow reached R$3.6 billion during the quarter.

This cash generation reflects the continued improvement in our working capital management, particularly in accounts receivable and inventories, as we have demonstrated over the past few quarters.

The accounts payable line remains under pressure, reflecting a more constrained credit environment associated with the Company's current capital structure.

Investing cash flow already reflects a more selective approach to capital allocation and includes proceeds received from the divestments related to transactions that have already closed.

Financing cash flow primarily reflected the unwinding of hedge structures related to foreign-currency-denominated debt, as well as the repayment of instruments that were outside the scope of the Extrajudicial Reorganization.

Despite the progress we have made, we continue to operate in a challenging environment, requiring even greater discipline and focus on capital management.

Finally, regarding our debt position, the increase in leverage compared to the last quarter of the previous crop year primarily reflects the reclassification of Argentina's debt and the financial expenses I mentioned earlier.

It is important to note that, for leverage purposes, we also exclude Argentina's EBITDA.

With that, I will now hand the call over to our CEO, Nelson Gomes, for his closing remarks.

Thank you very much

Nelson Gomes (CEO)

Good morning, everyone. Welcome once again to our first-quarter earnings call for the 2026/27 crop year. I'll make a few opening remarks, and then we'll move on to the Q&A.

We started the 2026/27 crop year on April 1, maintaining our focus on executing the structural initiatives that are supporting the transformation of the Company, both operationally and financially, while strengthening the foundations of our core business for the long term.

The external environment continues to require a great deal of discipline and close attention, as we continue to face volatility in commodity markets, ongoing geopolitical uncertainties, and the effects of weather conditions observed over recent crop years, particularly the unexpected weather events we are experiencing now. As I have discussed with you on our recent calls, I will divide my remarks between our operational transformation initiatives and then our financial transformation journey.

Starting with the operational side, I would like to begin by saying that the simplification of our portfolio remains underway. This applies to our Fuel Distribution business, as we announced during the quarter the signing of the sale of our operations in Argentina, and, following quarter-end, we also announced the signing of the sale of Caarapó, one of our mills. So, the simplification of our businesses and our focus on what we define as our core business remain key priorities.

Speaking of our core business, and starting with our Brazil Fuel Distribution business, we delivered a very consistent quarter, supported by our value proposition and our close relationships with our dealers. Even in an adverse and challenging supply and logistics environment, we continued to serve our entire dealer network and customer base efficiently and competitively, while staying true to our value proposition.

Still on the Fuel Distribution business, if I were to highlight three factors that impacted the results this quarter, I would start with the volatility caused by the war. This is a temporary, non-recurring effect on our business, but it benefited the Company's margins.

The second factor is the gradual improvement in the regulatory environment. In my view, this is something that can be considered recurring and structural.

The third factor, which also contributed to the improvement in margins this quarter, relates to internal initiatives that are within our control. These include a significant reduction in operating costs, lower inventory levels, and a more targeted and disciplined execution of our value proposition. This encompasses our customer relationships, a better product mix, the offering

of convenience stores and lubricants, and, ultimately, the full range of products and services we provide to our customers, dealers and distributors.

Turning to our sugar and ethanol business, ESB, we continue to operate in a more challenging environment, but we are making further operational progress in our transformation journey, continuously pursuing efficiency gains through much more disciplined management of our resources, both Opex and Capex.

Here as well, I would break down the effects this quarter into three broad areas. The first is largely related to external market conditions, including commodity price volatility, particularly for sugar and ethanol. Although sugar prices have recovered in recent days and weeks, the quarter covered by these results was characterized by significantly lower prices for both sugar and ethanol. That was one of the key headwinds.

The second factor, which we already see as positive and recurring, is the efficiency gains we have been capturing on the cost side. This is not only in Opex, through the day-to-day management of the business, but also in Capex. Our focus has been squarely on maintaining our sugarcane fields and, therefore, preserving agricultural yields, where we still have significant room for improvement, as well as maintaining our industrial performance. On the industrial side, we are already quite close to where we want to be, which is close to be at benchmark levels.

Finally, on productivity, as I mentioned, there is still room for improvement in agricultural yields. On the industrial side, however, as well as in business management, measured through unit Opex and unit Capex, we are already close to where we want to be.

I would also note that we continue to move toward managing the two businesses independently. As you can see from the way this financial report is structured, we are increasingly moving, step by step, toward a more independent management model for our Fuel Distribution and Lubricants business and our Sugar, Ethanol and Bioenergy business.

Finally, turning to our financial transformation, this quarter clearly benefited from the financial impact of the Company's operational progress, including higher cash generation, a significant reduction in Opex, and optimization of our Capex investments. We are increasingly learning to allocate capital more effectively and focus our investments on what truly matters for the Company.

However, the most significant milestone was clearly the court approval of our Extrajudicial Reorganization Plan, as Phillipe mentioned earlier. With this stage now completed, we can increasingly focus on implementing the measures set forth in the plan, further strengthening the foundations for the Company's financial rebalancing.

I think those are the main opening remarks I wanted to share.

We can now move on to the Q&A session. Lorival, Phillipe and I are here to answer your questions.

Thank you, everyone.

Q&A section

Operator: We will now begin the Q&A session for investors and analysts.

This quarter, the Q&A session will be conducted in Portuguese, with simultaneous interpretation into English. If you would like to ask a question, please click “Raise Hand” at the bottom of the screen. If your question has already been addressed, you can leave the queue by clicking “Lower Hand.”

You may also submit your question through the Q&A icon at the bottom of the screen. Simply click on the icon and type in your question.

To get us started, our first question comes from Gabriel Barra at Citi. Gabriel, please go ahead.

Gabriel Barra (Citi): Hello, Nelson, Lorival and Casale. Thank you for answering my questions.

I have two points. The first is on Fuel Distribution. We’ve already seen one of your competitors report its results for the quarter, and you’ve just reported yours. It looks like this was indeed a record quarter across the board. When we look at your Extrajudicial Reorganization Plan, we also see that you outperformed the average margin we had expected for this year. The sector has been going through a significant margin recovery.

My question is about the sustainability of these margins, from your perspective. July seems to have been somewhat more challenging for the industry, while August appears to have seen some recovery. So, where do you see margins ultimately settling, not only this year but also next year, and what would the implications be for Raízen’s Fuel Distribution business?

On the Company’s capital structure strategy, when we run our analyses, we see significantly more balance sheet capacity in Fuel Distribution than in Sugar and Ethanol.

My question is whether, given the improvement in the Fuel Distribution environment, you could see any changes in how leverage is allocated between the businesses, potentially providing more balance-sheet flexibility to Sugar and Ethanol and allowing the business with stronger cash generation to operate with somewhat higher leverage than Fuel Distribution.

How are you think about this scenario, including the sustainability of the two businesses following the separation, or split, that is expected to take place next year?

Those are my two questions. Thank you.

Nelson Gomes: Hi, Barra. Good morning. Nelson here. I’ll elaborate on your first question regarding the margins we saw this quarter and our outlook for Fuel Distribution, and then I’ll hand the second question over to Lorival to discuss leverage.

As I mentioned in my opening remarks, I think there are three major factors, or three broad buckets, that help us understand the margins we delivered this quarter in Fuel Distribution.

The first relates to the volatility caused by the geopolitical instability we are currently experiencing, and all the supply constraints and challenges involved in serving the Brazilian market. This is a temporary factor that we should not consider recurring, and we have already started to see a change since July. So, we have already seen some normalization. That is the first point.

The second factor is the regulatory environment. The efforts undertaken by the federal government, state governments — particularly in São Paulo and Rio de Janeiro — and the regulator, ANP, to improve the competitive environment in Brazil's fuel distribution market and combat fraud and tax evasion have been significant.

I consider this a recurring factor because we are seeing a gradual improvement in the regulatory environment, which is also helping legitimate players recover margins that were lost in the past precisely as a result of fraudulent practices and tax evasion.

The third factor, as I mentioned in my opening remarks, relates to the efficiency gains and management initiatives we have implemented over the past few months and quarters in our Fuel Distribution business. These initiatives have made us significantly more efficient in terms of post management compared with previous quarters.

So, when we put all of these factors into perspective, we see that the first one is non-recurring. The second, the improvement in the regulatory environment, and the third, our management of expenses and inventory — both of which are within our control — are factors that we consider recurring.

That said, I do not expect us to repeat the margins we delivered this quarter going forward. I do expect margins to remain above the levels we saw last year, but we should not expect the geopolitical factors I mentioned as the first driver to recur.

Lorival Luz: Good morning. Regarding the potential leverage and how this could ultimately impact the two businesses, and building on everything Nelson just said, I think it is important to reiterate that we are talking about geopolitical volatility that benefited this quarter's results.

We still have a long way to go under the Extrajudicial Reorganization Plan, which you know well. We have until March next year to complete the plan, and then until December next year to complete the separation of the businesses.

A lot can happen between now and then. Some developments may benefit our results, as we saw this quarter, but there are also risks inherent to both businesses.

What I can tell you is that management remains fully focused on what Nelson described: relentlessly pursuing efficiency and performance, while maintaining an absolute focus on prioritizing decisions that support cash generation and the Company's financial health.

What do we expect, and what is our objective? By the end of this process, when we reach the point of separating the businesses, our goal — and something we are working tirelessly toward — is to deliver the two companies with the strongest possible capital structures. Obviously, that means ensuring the lowest possible leverage and, consequently, the lowest possible financial costs for both companies.

So, I think it is still too early to say whether the benefit will ultimately accrue more to one business or the other. But what I can assure you is that management is working relentlessly to ensure that, when the time comes, both companies emerge from the separation in the strongest possible financial condition and, of course, with the lowest possible leverage.

As we close this first quarter, you can see that, compared with where we were when we reached the initial agreement under the Extrajudicial Reorganization Plan, we are in a better position, with higher EBITDA and stronger cash generation. We expect that progress to continue going forward.

That said, it is still too early to determine where the benefits will ultimately sit. What you can count on, however, is our commitment to financial health and to maximizing cash generation. I think we have demonstrated that commitment in this first quarter.

Gabriel Barra: Thank you.

Operator: Our next question comes from Matheus Enfeldt at UBS. Matheus, your microphone is now unmuted. Please go ahead.

Matheus Enfeldt (UBS): Good morning, Nelson, Lorival and Casale. Thank you for your time.

My first question is on cash costs. We saw cash costs declining, with unit cash costs down 9% year over year in the quarter. But it is always difficult to assess the quarter in isolation, given the impact of the agricultural cycle and several other factors. So I wanted to get your view on where you expect unit cash costs to land by the end of the crop year, and whether you could quantify how much of the improvement is driven by higher crushing volumes and the resulting fixed-cost dilution versus underlying efficiency gains in the business.

My second question is on Fuel Distribution Capex. Capex was 22% lower year over year, and my concern here — although I may be wrong — is that this seems quite low compared with your previous spending levels and what some of your peers are investing in.

So I wanted to understand how much of this reflects additional efficiency gains, how much is related to not refurbishing certain service stations, and how much reflects a more conservative approach to expanding the service station base. Ultimately, I'm trying to understand how this level of Capex ties into future volume growth.

And if I may add a follow-up on the results, there was a very positive utilization of PIS/COFINS tax credits — close to R$1 billion, if I'm not mistaken. Could you explain the mechanism behind this? I believe there has been some conservatism around the expectation of how quickly these

credits could be monetized, so it would be helpful to understand what drove this positive development and how we should think about it going forward.

Those are my three questions. Thank you

Nelson Gomes: Matheus, good morning. Nelson here. I'll take your second question regarding Fuel Distribution, Capex and contract renewals.

I think there are a few factors at play here. First, we continue to grow both in terms of volumes, as reflected in our results, and in terms of the number of service stations. After a period without increasing our service station count, we added stations this quarter. And we are not postponing any contract renewals. Quite the opposite — we have actually accelerated some of our renewals.

The reduction in Capex also reflects a better balance between what we offer upfront, at the time of contract renewal or signing, and what we offer to our dealer partners throughout the contract term. In other words, we have achieved a better balance between the upfront and ongoing investments.

That is what is driving the reduction in Capex. There is absolutely no postponement of renewals. Quite the opposite — we continue to renew all our contracts and expand our network, consistent with our longstanding strategy of securing the best locations.

We are not going to brand just any service station. We are going to brand the best locations available.

Phillipe Casale: Matheus, I'll take your question on the utilization of PIS/COFINS tax credits. We used part of these credits in a transaction we recently completed in Argentina, so a portion of the amount you referenced was related to the Argentina M&A transaction.

On costs, the first quarter is indeed not the best basis for assessing the full-year trend. As the crop progresses and we process and sell down our inventories, we will have a clearer view of the underlying cash cost dynamics.

We saw a meaningful reduction related to Consecana, which is largely outside our control. But, within the areas we can control, we are already seeing structural measures from our operational transformation plan delivering results.

In agriculture, for example, we are seeing lower machinery utilization and greater efficiency in machinery usage per ton of sugarcane harvested. In our sugarcane cutting, loading and transportation operations, these transformation initiatives are already translating into tangible results. We are also seeing structural benefits in our industrial operations, driven by more efficient plant operations.

So, there is a structural component to the improvement. We demonstrated nearly R$500 million in Opex efficiencies in EAB last crop year, and we will continue to deliver efficiency gains this year.

That said, lower fixed-cost absorption is a headwind. Raw material quality has been weaker, with ATR coming below our initial expectations, which reduces fixed-cost dilution. This is particularly relevant given the significant fixed-cost base of the sugar and ethanol industry.

So, we will have this offsetting headwind from lower fixed-cost absorption, as agricultural productivity is currently running somewhat below our expectations.

Matheus Elfeldt (UBS): Thank you.

Operator: Our next question comes from Bruno Amorim at Goldman Sachs. Bruno, your microphone is now unmuted.

Bruno Amorim (Goldman Sachs): Good morning, everyone. Thank you for the opportunity to ask a question.

I'd like to follow up on the Fuel Distribution dynamics. You've already commented on this to some extent. We saw a temporary improvement driven by external conflicts, while there is also a more structural component related to progress in combating the informal market. I'd like you to elaborate a little more on this structural side.

Let's assume that, at some point, these conflicts will come to an end. I understand that it is very difficult to disentangle the effects of one factor from the other, but what are you seeing concretely happening in the market? I don't know if you can help us quantify what percentage of the market may have been displaced because of the efforts to combat the informal market.

And perhaps, on the import side, whether you are seeing importers that were almost entirely dependent on this business being impacted by a less competitive import environment versus Petrobras. In this context, are those players shrinking their operations more structurally, closing or reducing their footprint?

In short, any indications you can provide on tangible progress in combating the informal market would be very helpful in allowing us to distinguish between the cyclical and structural components.

Thank you.

Nelson Gomes: Bruno, I'll try to address that. But, as you pointed out in your question, it is difficult to disentangle the effects at this point, particularly because we are still operating in a volatile environment on several fronts. There are many moving parts now, so it is very difficult to attribute the impact to one factor or another with precision.

That said, directionally, you are right. As you mentioned, the geopolitical environment is not structural; it is a temporary factor, and it will not persist. Therefore, we should strive out from our results the positive impact that the market as a whole experienced last quarter, because that is clearly not recurring.

However, as I mentioned in my opening remarks and in response to Barra's earlier question, measures to combat irregular trade, fraud and tax evasion are having a tangible impact on the market. They are allowing legitimate players to recover volumes that they have lost over the past few years precisely because of these non-compliant practices.

We should continue to see that trend. It is very difficult to estimate, project or quantify how much illegal trade, tax evasion and fraud still exist in the market. What we are seeing is that enforcement measures continue to be implemented. The states, particularly Rio de Janeiro and São Paulo, as I mentioned earlier, remain very firm in combating fraud and tax evasion. The National Agency of Petroleum, Natural Gas and Biofuels, ANP, has also been very active in this effort.

This is clearly helping companies that operate within the rules to continue recovering lost volumes.

It is difficult to quantify the contribution of each individual factor, but, as I mentioned earlier in this call, my expectation is that margins will remain better going forward compared with last year. Why? Because these structural measures to combat irregular trade have been successful at the state and federal levels, as well as through the ANP.

Bruno Amorim: That's very clear, Nelson. Do you have any comments on the dynamics on the importer side? Obviously, we are seeing lower volumes. Are you seeing any movement toward players existing in the market or reducing the scale of their operations? Can you comment on that?

Nelson Gomes: Bruno, what we are seeing is a natural supply-and-demand dynamic when the arbitrage window is closed. When arbitrage is closed, we see imports decline. But, again, it is very difficult to predict because this is a more spot-oriented business, making it difficult to determine who is entering or exiting the market.

For example, during the quarter we are reporting, we saw imports decline, but we are already seeing an increase in imports in July.

This is simply the natural supply-and-demand dynamic of a diesel-short market like Brazil.

Bruno Amorim: Perfect. Thank you. Good morning.

Operator: Our next question comes from Bruno Montanari at Morgan Stanley. Bruno, your microphone is now unmuted.

Bruno Montanari (Morgan Stanley): Good morning. Thank you for taking my question. I have a follow-up on the tax credits. Could you help us understand how you currently assess the risk associated with these PIS/COFINS credits, particularly given the increased scrutiny of the sector and some recent, somewhat more restrictive, decisions?

In particular, how much of the credits you have utilized is already definitively protected by final, non-appealable court decisions, and where could there still be residual risk related to the

calculation, utilization or potential challenges to these credits? Any color on this would be appreciated.

Thank you.

Phillipe Casale: Bruno, Phillipe here. I'll take that question. Obviously, when we recognize these credits, we have a legal position supporting them. For all of the credits recognized and recorded in our financial statements, we assess the underlying legal positions according to their respective criteria and categories.

We will continue to monitor both the utilization of these credits and, as you know, we are also discussing, within the framework of the Extrajudicial Reorganization Plan, the calculation of these amounts and the related tax liabilities — not the credits themselves.

Bruno Montanari: Understood. Thank you.

Operator: Our next question comes from Júlia Zaniolo at Bank of America. Júlia, your microphone is now unmuted.

Julia Zaniolo: Good morning, everyone. Thank you for the opportunity.

You appear to be taking a somewhat more active approach to marketing sugar and ethanol, particularly ethanol, than some of your peers, which are carrying somewhat higher inventories into year-end given the current pressure on prices.

What are you thinking about for the next few quarters?

Do you expect to continue selling more actively, or do you plan to build inventories somewhat more in order to capture potentially better ethanol prices later in the year?

Nelson Gomes: Hi, Júlia. Nelson here.

We assess both our production mix between sugar and ethanol and whether it makes sense to carry inventory, as you mentioned, to sell it at a later point. We assess these opportunities virtually every day, with a formal review on a weekly basis.

During the quarter we are reporting, for a few reasons, we have decided to concentrate more of our production on ethanol at the expense of sugar production.

First, there were operational reasons. The beginning of the crop is naturally more ethanol oriented. Second, there were weather-related reasons. Whenever rainfall causes us to stop harvesting and crushing, the restart naturally tends to be more ethanol-oriented than sugar-oriented, so all of these factors have an impact.

There is also a shorter cash conversion cycle for ethanol compared with sugar. Sugar takes somewhat longer to convert into cash than ethanol. As I mentioned, we reassess this on a weekly basis. At this point, we are already starting to shift our production somewhat away from ethanol and somewhat more toward sugar.

But, again, this is a dynamic decision that we make on a weekly basis. We have not made a decision for the remainder of the crop year as to whether the mix will be predominantly ethanol or sugar. Likewise, we have not decided to build inventories for future sales, as we have not made such a decision at this point.

Julia Zaniolo: Great. Thank you.

Operator: The Q&A session has now concluded. Written questions that were not addressed during the earnings call will be answered by the Investor Relations team.

We would now like to hand the call back to the Company for its closing remarks.

Nelson Gomes: Well, everyone, as closing remarks, I think we are starting to see this quarter a combination of a more efficient operation, the result of all the operational transformation the Company has been going through over the past several quarters, a portfolio much more focused on our core business, and a financial structure increasingly oriented toward cash generation.

Taken together, these factors are giving us greater visibility into the Company's future and its path toward financial balance.

This is the direction we will continue to pursue over the coming months and quarters, while recognizing that there are still several challenges ahead, both in the macro environment and throughout our journey toward completing the Extrajudicial Reorganization process.

Regardless of these challenges, we remain confident that, by the end of this process, as Lorival mentioned earlier, we will have two lean, efficient companies, each ready to compete in its respective market.

That is the direction we are taking.

Once again, thank you for joining our earnings call, and we look forward to speaking with you again next quarter.

Thank you.

Operator: This concludes Raízen S.A.'s first-quarter 2026/27 crop year earnings presentation. The Investor Relations team remains available to address any additional questions.

Thank you very much to all participants and have a great day.