

# Earnings Release

3<sup>rd</sup> Quarter  
2019/2020 Crop Year



## Cash Net Income of R\$366.5 million in 3Q20 – 4.5 times higher than 3Q19

### 3Q20 and 9M20 Highlights (excluding IFRS 16 effects – Agrarian Contracts)

- ✓ Adjusted EBITDA was **R\$541.4 million** in 3Q20 (+29.7%), with **Adjusted EBITDA margin of 52.6%**. The nominal increase in the indicator is mainly due to: (i) the higher sales volume of ethanol (+17.0%), sugar (+11.8%) and cogeneration (+36.7%) in the period, and (ii) the higher sales price of ethanol (+6.6%) and cogeneration (+13.9%) in the quarter;
- ✓ Adjusted EBIT was **R\$237.7 million** in 3Q20 (+50.7%), with **Adjusted EBIT margin of 23.1%**. The increase in the indicator is mainly due to the same effects that positively impacted Adjusted EBITDA growth;
- ✓ Net Income came to **R\$342.9 million** in 3Q20, while Cash Income was **R\$366.5 million**;
- ✓ Operating Cash Flow<sup>1</sup> was **R\$574.6 million** in 9M20;
- ✓ IAA Credits (Copersucar Rights): credit of **R\$349.1 million** received in 3Q20 related to the 2<sup>nd</sup> installment of the 1<sup>st</sup> court ordered debt security and 1<sup>st</sup> installment of the 2<sup>nd</sup> court ordered debt security, with a net effect of R\$230.4 million;
- ✓ On December 31, 2019, sugar prices for the 2019/20 crop year were hedged for around **374 thousand tons** at an average price of **R\$1,232/ton – 100% of the exposure for 4Q20**. For the 2020/21 crop year, roughly **513 thousand tons** of sugar were hedged at approximately **R\$1,263/ton**.

1 – Operating Cash Flow = Adjusted EBITDA – Maintenance Capex

Executive Summary	3Q20	3Q19	Chg. (%)	9M20	9M19	Chg. (%)
Net Revenue <sup>1</sup>	1,029,978	842,562	22.2%	2,555,008	2,257,155	13.2%
Adjusted EBITDA	541,440	417,320	29.7%	1,277,680	1,134,948	12.6%
Adjusted EBITDA Margin	52.6%	49.5%	3.0 p.p.	50.0%	50.3%	-0.3 p.p.
Adjusted EBIT	237,686	157,751	50.7%	522,352	478,710	9.1%
Adjusted EBIT Margin	23.1%	18.7%	4.4 p.p.	20.4%	21.2%	-0.8 p.p.
Copersucar Rights	349,056	-	n.m.	349,056	-	n.m.
Net Income before taxes	419,193	78,838	431.7%	549,328	291,595	88.4%
Net Income without IFRS 16 effects	355,095	65,929	438.6%	544,302	228,435	138.3%
Non-cash effect of IFRS 16 on Net Income	(12,175)	-	n.m.	(47,937)	-	n.m.
Net Income	342,920	65,929	420.1%	496,365	228,435	117.3%
Cash Income	366,499	80,194	357.0%	548,687	290,991	88.6%
Net Debt / EBITDA	1.65 x	1.80 x	-8.5%	1.65 x	1.80 x	-8.5%

<sup>1</sup> Excludes the Hedge Accounting effect of foreign-denominated debt and PPA USC  
Data do not include the IFRS 16 impacts, except net income

#### December 30, 2019

SMT03  
R\$23.72 per share

Market Cap:  
R\$8,397 million

#### Earnings Conference Call

February 11, 2020 (Tuesday)

3 p.m. (Brasília time) + 55 11 4210-1803  
1 p.m. (New York time) +1 412 717-9627  
Access code: São Martinho

To Access the webcast, [click here](#)  
To access via HD Web Phone, [click here](#)



## Adoption of IFRS 16/CPC 06 – Leases

As mentioned in recent quarters, as of April 1, 2019, the Company adopted IFRS 16 – Leases, which introduces a single accounting model for leases and agricultural partnerships in the balance sheet. Accordingly, right-of-use assets were recognized in assets and lease liabilities, in liabilities.

The Company adopted the lease definition provided by ICPC 03 / IFRIC 4. As of this quarter, under IFRS 16, lease is considered as any contract that, upon consideration, transfers the right to control the use of an asset for a certain period. The agricultural partnership agreements, although having a different legal form, were accounted for as leases, in accordance with the new accounting standard.

The Company adopted the modified retrospective approach and the following criteria:

- (i) **Liabilities:** remaining balances of the contracts in force on the date of initial adoption, net of advance payments, and discounted by the average rate of DI futures contracts (nominal interest coupon), with terms equivalent to those of partnership and lease agreements; and
- (ii) **Assets:** amount equivalent to the liability adjusted to present value.

There was no impact on the Company's **Cash Flow** or **Adjusted EBITDA**.

For more details, see the Financial Statements for the period.

### Impacts from IFRS16 on the Income Statements for 3Q20 and 9M20:

Results	3Q20			9M20			
	Before IFRS 16	Impacts	After IFRS 16	Before IFRS 16	Impacts	After IFRS 16	
<b>Net Revenue<sup>1</sup></b>	<b>1,029,978</b>		<b>1,029,978</b>	<b>2,555,008</b>		<b>2,555,008</b>	
<b>COGS</b>	<b>(706,577)</b>	<b>43,097</b>	<b>(663,480)</b>	<b>(1,790,587)</b>	<b>36,066</b>	<b>(1,754,521)</b>	
(-) Invoiced Agrarian Contracts		70,763			160,120		We no longer account for cash cost of agrarian contracts
(+) Right-of-Use Depreciation		(27,666)			(124,054)		We now account for contract depreciation
<b>Gross Income</b>	<b>323,401</b>	<b>43,097</b>	<b>366,498</b>	<b>764,421</b>	<b>36,066</b>	<b>800,487</b>	
Selling/General/Adm. Expenses	252,313		252,313	92,751		92,751	
<b>Op. Income Before Financial Result</b>	<b>575,714</b>	<b>43,097</b>	<b>618,811</b>	<b>857,172</b>	<b>36,066</b>	<b>893,238</b>	
<b>Financial Result/Debt Hedge</b>	<b>(138,074)</b>	<b>(61,544)</b>	<b>(199,618)</b>	<b>(235,212)</b>	<b>(108,698)</b>	<b>(343,910)</b>	
Lease APV		(61,544)			(108,698)		Adjustment to Present Value (APV) of agrarian contracts is accounted for as net financial result
<b>Income before Taxes</b>	<b>437,640</b>	<b>(18,447)</b>	<b>419,193</b>	<b>621,960</b>	<b>(72,632)</b>	<b>549,328</b>	
Income tax and Social Contribution	(82,545)	6,272	(76,273)	(77,658)	24,695	(52,963)	
<b>Net Income</b>	<b>355,095</b>	<b>(12,175)</b>	<b>342,920</b>	<b>544,302</b>	<b>(47,937)</b>	<b>496,365</b>	
<b>Book EBITDA</b>	<b>879,248</b>	<b>70,763</b>	<b>950,011</b>	<b>1,611,654</b>	<b>160,120</b>	<b>1,771,774</b>	
Adjustment to Maturity of Hedge	220		220	846		846	
Biological Assets	1,122		1,122	1,544		1,544	
Equity Income	(336)		(336)	(1,544)		(1,544)	
Non Recurring Revenues (Expenses)	(338,814)		(338,814)	(334,820)		(334,820)	
Agrarian Contracts Expenses		(70,763)	(70,763)		(160,120)	(160,120)	
<b>Adjusted EBITDA</b>	<b>541,440</b>		<b>541,440</b>	<b>1,277,680</b>		<b>1,277,680</b>	As we no longer account for cash cost of agrarian contracts, Book EBITDA increased, which effect has been adjusted for the Adjusted EBITDA

<sup>1</sup> - Excludes the Hedge Accounting effect of foreign-denominated debt and PPA US C

**To improve analysis and comparisons between periods, the data presented in this release exclude impacts from the adoption of IFRS 16 - Agrarian Contracts.**

## COMPANY OVERVIEW

### Operating Highlights

OPERATIONAL DATA	9M20	9M19	Chg.(%)
<b>Crushed Sugarcane ('000 tons)</b>	<b>22,640</b>	<b>20,450</b>	<b>10.7%</b>
Own	15,740	13,692	15.0%
Third Parties	6,900	6,758	2.1%
Mechanized Harvest	100%	100%	0.0 p.p.
Agricultural Yield (ton/ha)	82.9	74.2	11.7%
Average TRS (kg/ton)	139.4	142.2	-2.0%
<b>Production</b>			
Sugar ('000 tons)	1,106	992	11.4%
Ethanol ('000 m <sup>3</sup> )	1,172	1,097	6.9%
Cogeneration ('000 MWh)	883	819	7.9%
TRS Produced	3,155	2,908	8.5%
Mix Sugar - Ethanol	37% - 63%	36% - 64%	

During the 19/20 crop year, the Company crushed 22.6 million tons of sugarcane, up 10.7% from the previous crop year, reflecting the 11.7% increase in the average yield of the sugarcane fields (TCH) in the period. In line with what we mentioned since the end of the first half of the crop year, this improvement reflects the better weather conditions during the harvest.

## Financial Indicators

The following table presents São Martinho's financial highlights in the third quarter and first nine months of the crop year, which will be discussed in more detail throughout this earnings release.

	3Q20	3Q19	Chg. (%)	9M20	9M19	Chg. (%)
<b>R\$ '000</b>						
Net Revenue <sup>1</sup>	1,029,978	842,562	22.2%	2,555,008	2,257,155	13.2%
Adjusted EBITDA	541,440	417,320	29.7%	1,277,680	1,134,948	12.6%
Adjusted EBITDA Margin	52.6%	49.5%	3.0 p.p.	50.0%	50.3%	-0.3 p.p.
Adjusted EBIT	237,686	157,751	50.7%	522,352	478,710	9.1%
Adjusted EBIT Margin	23.1%	18.7%	4.4 p.p.	20.4%	21.2%	-0.8 p.p.
<b>Consolidated Balance Sheet Indicators</b>						
Total Assets	10,124,073	9,467,258	6.9%	10,124,073	9,467,258	6.9%
Shareholders' Equity	3,742,937	3,344,615	11.9%	3,742,937	3,344,615	11.9%
EBITDA (LTM)	1,787,266	1,720,577	3.9%	1,787,266	1,720,577	3.9%
Net Debt	2,950,573	3,105,215	-5.0%	2,950,573	3,105,215	-5.0%
Net Debt / EBITDA (LTM)	1.65 x	1.80 x	-8.5%	1.65 x	1.80 x	-8.5%
Net Debt / Shareholders' Equity	79%	93%		79%	93%	

<sup>1</sup> - Excludes the Hedge Accounting effect of foreign-denominated debt and PPAUSC

Data do not include the IFRS 16 impacts

## INDUSTRY OVERVIEW

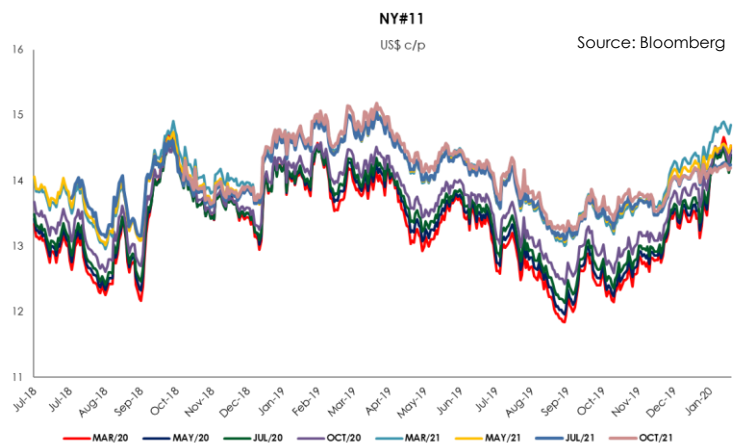
According to the report issued by the Brazilian Sugarcane Industry Association (UNICA), from the start of crop year to January 16, 2020, the Center-South region processed 578.7 million tons of sugarcane, or 2.8% more compared to the previous crop year, mainly due to the better weather conditions in the year, with 34.5% of the production mix allocated to sugar and 65.5% to ethanol.

### Sugar

Brazil's Center-South region produced 26.5 million tons of sugar, stable in relation to the previous crop year production.

The sugar deficit expected in some regions of the Northern Hemisphere, particularly in India and Thailand, apparently will be higher than expected by the market, supporting an important recovery in prices, as shown in the chart to the right.

At end-December 2019, we had 513 thousand tons of sugar hedged for the 20/21 crop year production at an average price of R\$1,263/ton, which corresponds to approximately 60% of own cane hedged (considering production in line with the 19/20 crop year). See the "Hedge" section of this release for more details on the hedge positions for the 20/21 crop year.



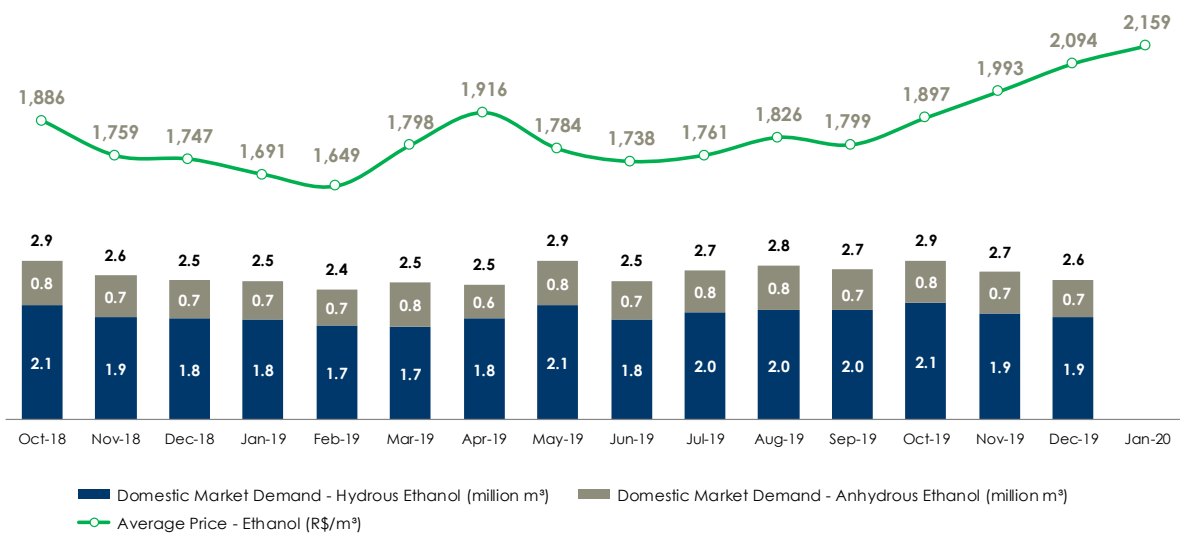
## Ethanol

According to data from UNICA, as of January 16, 2020, Brazil's Center-South region produced 32.2 million liters of ethanol, up 6.6% compared to the previous crop year.

In line with the comments of previous quarters, the consumption share of hydrous ethanol at the pump compared to gasoline remains favorable, reaching 49%, according to data from the ANP.

In December, the price parity of hydrous ethanol at the pump compared to gasoline stood at 68%, considering the key consumer states. The combination of higher gasoline price and closed gap in the ethanol price parity curve withstood the increase in the average price of the product during this start of the intercrop period.

The following chart shows monthly hydrous and anhydrous ethanol consumption and the average prices practiced over the months, based on data from ESALQ.



Source: UNICA and CEPEA/ESALQ

## FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	3Q20	3Q19	Chg. (%)	9M20	9M19	Chg. (%)
R\$ '000						
<b>Domestic Market</b>	<b>620,712</b>	<b>567,167</b>	<b>9.4%</b>	<b>1,505,164</b>	<b>1,539,424</b>	<b>-2.2%</b>
Sugar	31,723	34,439	-7.9%	93,971	109,128	-13.9%
Ethanol	511,702	480,059	6.6%	1,127,455	1,187,822	-5.1%
Energy	62,616	40,219	55.7%	207,278	197,490	5.0%
Real Estate Development	2,200	457	381.4%	19,471	2,723	615.1%
Others	12,471	11,993	4.0%	56,989	42,261	34.9%
<b>Export Market</b>	<b>409,266</b>	<b>275,395</b>	<b>48.6%</b>	<b>1,049,844</b>	<b>717,731</b>	<b>46.3%</b>
Sugar	272,617	235,497	15.8%	684,192	632,088	8.2%
Ethanol	136,649	39,898	242.5%	365,652	85,643	326.9%
<b>Net Revenue<sup>1</sup></b>	<b>1,029,978</b>	<b>842,562</b>	<b>22.2%</b>	<b>2,555,008</b>	<b>2,257,155</b>	<b>13.2%</b>
Sugar	304,340	269,936	12.7%	778,163	741,216	5.0%
Ethanol	648,351	519,957	24.7%	1,493,107	1,273,465	17.2%
Energy	62,616	40,219	55.7%	207,278	197,490	5.0%
Real Estate Development	2,200	457	381.4%	19,471	2,723	615.1%
Others	12,471	11,993	4.0%	56,989	42,261	34.9%

<sup>1</sup> - Excludes the Hedge Accounting effect of foreign-denominated debt and PPA US\$



## Net Revenue

In the third quarter of the 19/20 crop year, the Company's net revenue amounted to R\$1,030.0 million, up 22.2% from the same period last crop year. The better quarterly result was mainly supported by: (i) the higher sales volume of sugar (+11.8%), ethanol (+17.0%) and cogeneration (+36.7%) in the period, and (ii) the higher sales price of ethanol (+6.6%) and cogeneration (+13.9%) in the quarter.

In the nine-month period (9M20), net revenue increased 13.2%, to R\$2,555.0 million, mainly due to: (i) the higher sales volume of ethanol (+7.4%), sugar (+6.6%) and cogeneration (+10.0%), and (ii) the higher ethanol sales price (+9.2%) in the period.

### Main Adjustments in Net Revenue for 3Q20 and 9M20

#### 1) Debt maturity (Hedge Accounting)

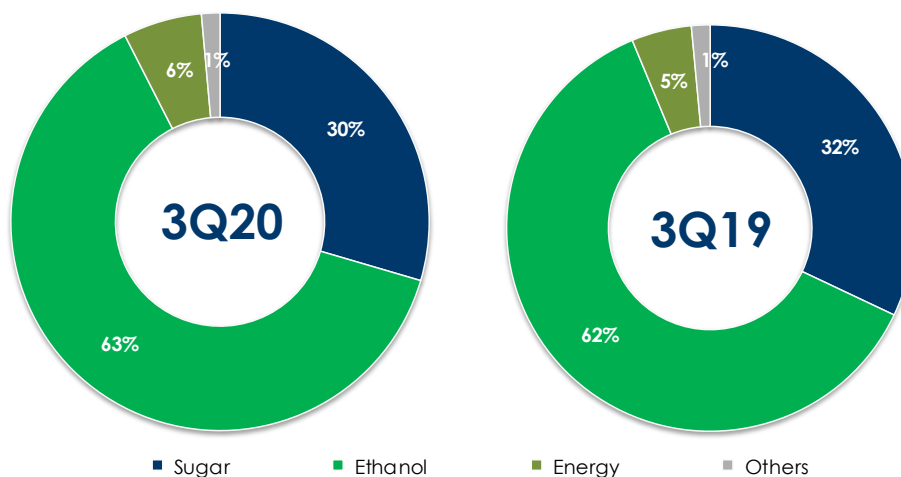
Expense related to exchange variation on debt settled in 3Q20 that was previously designated as Hedge Accounting at a BRL/USD exchange rate of R\$3.3. Considering that the exchange rate used for the purposes of cash flow in the period was R\$4.1/USD, we adjusted the amount of R\$0.2 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period. In 9M20, we adjusted the amount of R\$0.8 million.

#### 2) Purchase Price Allocation (PPA)

Non-cash expense of R\$0.6 million, reflecting the amortization of goodwill paid for the future profitability of the cogeneration volume of the Santa Cruz Mill in 3Q20. In 9M20, we adjusted net revenue by R\$6.6 million.

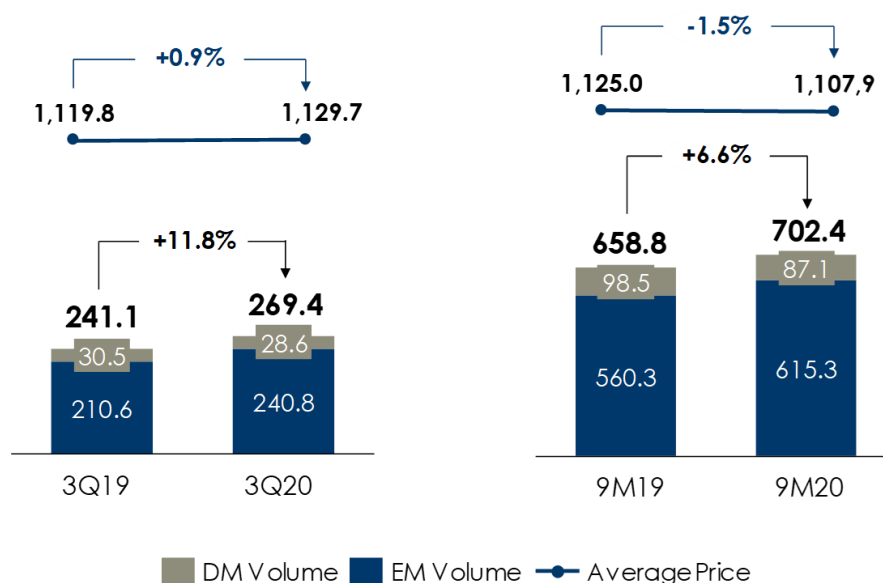
The following charts present a breakdown of the Company's net revenue by product:

### Net Revenue Distribution



## Sugar

Volume ('000 tons) and Average Price (R\$/ton)



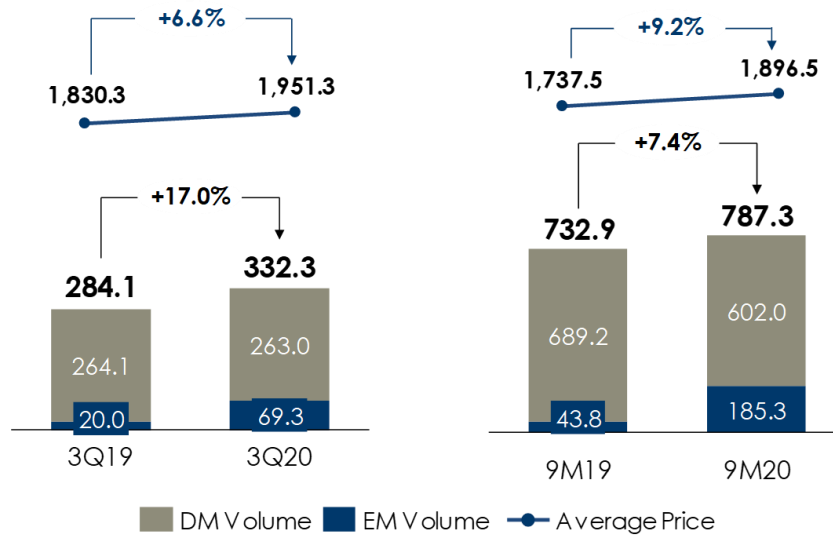
Net revenue from sugar sales amounted to R\$304.3 million in 3Q20, increasing 12.7% on the same period of the previous crop year, while in 9M20, net revenue from sugar sales came to R\$778.2 million, up 5.0% on the prior-year period, reflecting the sales volume growth in nominal terms.

In line with what we previously informed to the market, the Company decided to concentrate shipments for the end of the crop year, especially the fourth quarter, which has been showing higher sales prices.

As mentioned in our highlights for the quarter, as of December 2019, we already had hedged almost 100% of our sugar exposure for 4Q20 at the average price of ~R\$1,232/ton (elevation cost of ~R\$40/ton not discounted).

## Ethanol

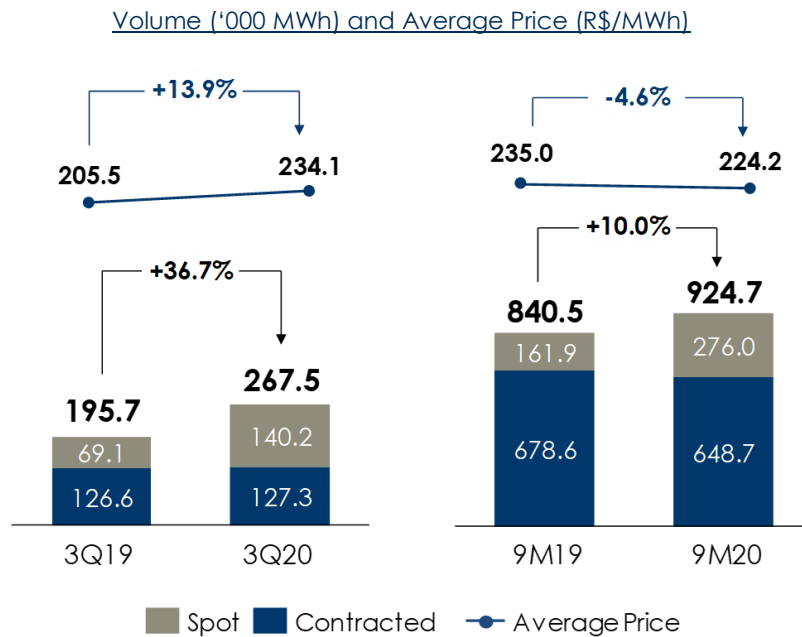
Volume ('000 m<sup>3</sup>) and Average Price (R\$/m<sup>3</sup>)



Net revenue from ethanol sales amounted to R\$648.4 million in 3Q20, up 24.7% from 3Q19, while in 9M20 it came to R\$1,493.1 million, up 17.2% from the same period of the last crop year.

The better performance in the periods was mainly due to (i) the higher average sales price realized, and (ii) the higher ethanol export volume.

## Cogeneration



Net revenue from cogeneration sales in 3Q20 amounted to R\$62.6 million, increasing 55.7% from the same quarter last crop year, reflecting (i) the sales volume growth (+36.7%), and (ii) the 13.9% increase in average sales price, due to the higher average spot price realized in the period compared to 3Q19.

In 9M20, net revenue from cogeneration sales increased 5.0%, to R\$207.3 million, reflecting the sales volume growth (+10.0%) due to the higher bagasse volume available for cogeneration, given the growth in sugarcane processing in the 19/20 crop year.

## Real Estate Development

The following table presents an overview of the projects and their percentage of completion (POC) and sales since their launch through December 2019.

Real Estate Development	Type	City	Area (m <sup>2</sup> )	Launch date	Total lots sold	POC Position
Recanto das Paineiras	Residence	Iracemápolis	376,567	June-14	99.5%	100.0%
Park Empresarial - I	Industrial	Iracemápolis	182,684	September-14	76.1%	100.0%
Park Empresarial - II	Industrial	Iracemápolis	133,794	October-17	30.7%	99.0%
Nova Pradópolis - Phase I	Residence	Pradópolis	246,937	December-15	92.9%	100.0%
Nova Pradópolis - Phase II	Residence	Pradópolis	255,750	July-17	60.1%	100.0%

In 9M20, the Company recognized net revenue of R\$19.5 million and cash generation of R\$10.0 million.

Real Estate Development	Net Revenue 9M20	Cash Generation 9M20	Portfolio December/19
R\$ '000			
Current Projects	1,055	6,361	80,147
Land Monetization	18,416	3,631	39,753
<b>Total</b>	<b>19,471</b>	<b>9,992</b>	<b>119,900</b>

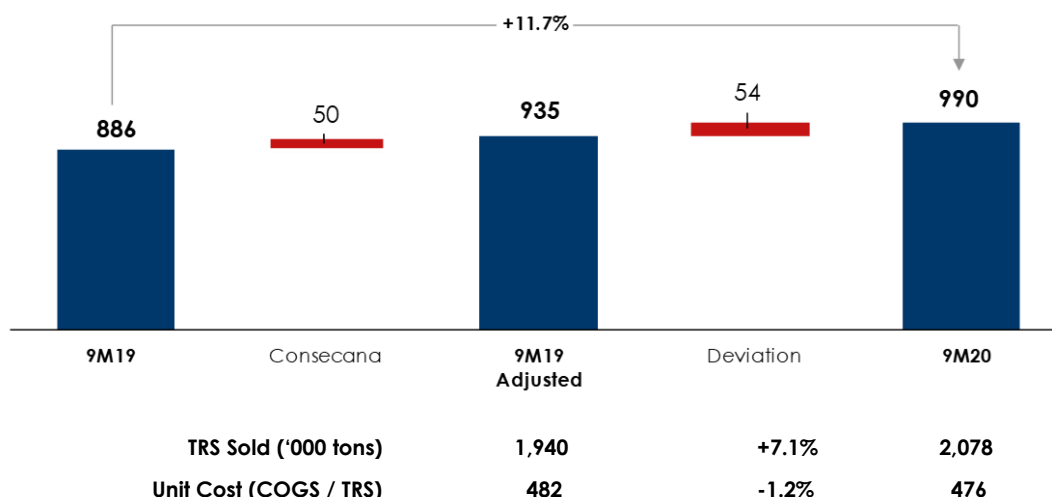
## CASH COGS

CASH COGS	3Q20	3Q19	Chg. (%)	9M20	9M19	Chg. (%)
R\$ '000						
Agricultural Costs	<b>338,250</b>	<b>296,709</b>	<b>14.0%</b>	<b>865,347</b>	<b>765,927</b>	<b>13.0%</b>
Suppliers	167,316	156,713	6.8%	464,078	417,945	11.0%
Partnerships	82,909	66,186	25.3%	198,130	170,252	16.4%
Own Sugarcane	88,025	73,811	19.3%	203,139	177,731	14.3%
Industrial	49,675	47,482	4.6%	125,443	122,135	2.7%
Other Products	18,768	16,806	11.7%	62,726	46,102	36.1%
Reintegra	(393)	(245)	60.7%	(1,042)	(3,474)	-70.0%
<b>Total COGS</b>	<b>406,300</b>	<b>360,752</b>	<b>12.6%</b>	<b>1,052,474</b>	<b>930,691</b>	<b>13.1%</b>
TRS Sold ('000 Tons)	845	736	14.8%	2,078	1,940	7.1%
Unit Cost (Sugar and Ethanol Cash COGS / TRS)	459	467	-1.8%	476	456	4.4%

Data do not include the IFRS 16 impacts

Cash COGS in 3Q20 amounted to R\$406.3 million, up 12.6% from the same period last crop year, mainly due to: (i) the increase in the Consecana price (+10%) and (ii) the effect from the sales volume growth in the quarter (+14.8%). In 9M20, Cash COGS was R\$1,052.5 million, up 13.1%, due to the same factors that affected performance in the quarter.

However, it is worth noting that if we disregard the Consecana effects in the first nine months of the crop year, the unit cash COGS of sugar and ethanol (in TRS) decreased by 1.2%, as shown in the following chart.



The table below presents details on the variation in average unit cash COGS for both sugar and ethanol production compared to the same period last crop year. As mentioned in the previous quarter, the lower variation in ethanol cost at the expense of sugar mainly reflects the higher share of ethanol sales this crop year at the Boa Vista Mill, whose production cost is lower than the mills located in São Paulo.

Cash COGS per Product	3Q20	3Q19	Chg. (%)	9M20	9M19	Chg. (%)
R\$ '000						
<b>COGS (Cash)</b>	<b>387,532</b>	<b>344,564</b>	<b>12.5%</b>	<b>989,752</b>	<b>885,748</b>	<b>11.7%</b>
Sugar	136,492	123,683	10.4%	369,914	325,329	13.7%
Ethanol	251,040	220,881	13.7%	619,839	560,419	10.6%
<b>Average Cash Cost Per Unit<sup>1</sup></b>						
Sugar Cash Cost	506.6	513.1	-1.3%	526.7	493.8	6.7%
Ethanol Cash Cost	755.5	777.5	-2.8%	787.3	764.6	3.0%

Data do not include the IFRS 16 impacts

<sup>1</sup> - Sugar in R\$/ton

Ethanol in R\$/m<sup>3</sup>

## CASH COST BY PRODUCT

To provide a better understanding of the impacts of production cash cost, the following table presents a breakdown of costs in the comparison periods (3Q20 vs. 3Q19).

	3Q20						3Q19					
	Sugar	Ethanol	Energy	Real Estate Development	Others	Total	Sugar	Ethanol	Energy	Real Estate Development	Others	Total
R\$ '000,000												
Net Revenue <sup>1</sup>	304	648	63	2	12	1,030	270	520	40	0	12	843
(-) Costs/Expenses	-174	-295	-19	-1	0	-489	-154	-251	-13	-1	-7	-425
<b>(=) Adjusted EBITDA</b>	<b>130</b>	<b>354</b>	<b>44</b>	<b>1</b>	<b>13</b>	<b>541</b>	<b>116</b>	<b>269</b>	<b>27</b>	<b>0</b>	<b>5</b>	<b>417</b>
Adjusted EBITDA Margin	43%	55%	70%	53%	103%	53%	43%	52%	67%	-78%	42%	50%
<b>Average EBITDA Cost (R\$/unit<sup>2</sup>)</b>	<b>648</b>	<b>887</b>	<b>70</b>				<b>638</b>	<b>882</b>	<b>67</b>			
(+) Depreciation/Amortization	-101	-198	-3	0	-2	-304	-88	-168	-2	0	-1	-260
<b>(=) Adjusted EBIT</b>	<b>29</b>	<b>156</b>	<b>41</b>	<b>1</b>	<b>11</b>	<b>238</b>	<b>28</b>	<b>101</b>	<b>25</b>	<b>0</b>	<b>4</b>	<b>158</b>
(-) Depreciation/Amortization	101	198	3	0	2	304	88	168	2	0	1	260
(-) Maintenance Capex	-98	-217	0	0	0	-315	-94	-195	0	0	0	-289
<b>(=) Cash Generation</b>	<b>32</b>	<b>137</b>	<b>44</b>	<b>1</b>	<b>13</b>	<b>226</b>	<b>22</b>	<b>74</b>	<b>27</b>	<b>0</b>	<b>5</b>	<b>128</b>
Volume sold (unit <sup>3</sup> )	269	332	268	-	-	845	241	284	196	-	-	736
<b>Average Price (R\$/unit<sup>2</sup>)</b>	<b>1,130</b>	<b>1,951</b>	<b>234</b>	-	-	-	<b>1,120</b>	<b>1,830</b>	<b>206</b>	-	-	-
<b>Average Total Cash Cost (R\$/unit<sup>2</sup>)</b>	<b>1,013</b>	<b>1,539</b>	<b>70</b>	-	-	-	<b>1,029</b>	<b>1,569</b>	<b>67</b>	-	-	-

<sup>1</sup> Excludes the Hedge Accounting effect of foreign-denominated debt and PPA US\$

<sup>2</sup> Units: Sugar: tons, Ethanol: m<sup>3</sup>, Energy: MWh, Total: Kgs of sugar and ethanol TRS/ton

<sup>3</sup> Sugar: '000 tons, Ethanol: '000 m<sup>3</sup>, Energy: '000 MWh, Total: '000 tons of TRS

Data do not include the IFRS 16 impacts

The average sugar cash cost in 3Q20 was R\$1,013/ton, down 1.6% from 3Q19. Given that in the same period the average sugar sales price increased 0.9%, the product's margin expanded by 2.3 p.p. in 3Q20 compared to 3Q19. For ethanol, the average cash cost in 3Q20 was R\$1,539/m<sup>3</sup>, decreasing 1.9% from the same period of the previous crop year, with margin expanding by around 7 p.p. The improvement in ethanol margin reflects: (i) the 6.6% higher average price compared to 3Q19, and (ii) the higher share of the Goiás Mill in the ethanol sales mix, diluting capex per TRS sold compared to the mills in São Paulo.

## SELLING EXPENSES

	3Q20	3Q19	Chg. (%)	9M20	9M19	Chg. (%)
R\$ '000						
Port Costs / Freight	28,154	22,009	27.9%	77,297	54,020	43.1%
Other - non-recurring	7,317	1,976	270.3%	20,880	12,551	66.4%
<b>Selling Expenses</b>	<b>35,471</b>	<b>23,985</b>	<b>47.9%</b>	<b>98,177</b>	<b>66,571</b>	<b>47.5%</b>
TRS Sold ('000 tons)	845	736	14.8%	2,078	1,940	7.1%
% of Net Revenue	3.4%	2.8%	0.6 p.p.	3.8%	2.9%	0.9 p.p.

In 3Q20, selling expenses amounted to R\$35.5 million, up 47.9% from the same period of the previous crop year, mainly due to the costs related to ethanol exports, which were higher this quarter, and to the higher sugar export volume, as shown in the section "Net Revenue – Sugar and Ethanol". In 9M20, selling expenses were 47.5% higher than in 9M19, due to the same factors that affected the quarterly performance.

## CASH GENERAL & ADMINISTRATIVE EXPENSES

	3Q20	3Q19	Chg. (%)	9M20	9M19	Chg. (%)
R\$ '000						
Personnel and Management Fee	29,985	27,338	9.7%	89,721	82,833	8.3%
Taxes, Fees, Contributions and Contingencies	6,164	2,118	191.0%	15,768	14,639	7.7%
General Expenses and Third-Party Services	10,586	11,357	-6.8%	30,653	32,881	-6.8%
Stock Option - Vested	6,946	95	n.m.	8,593	3,842	123.7%
<b>Total recurring General and Administrative Expenses</b>	<b>53,681</b>	<b>40,908</b>	<b>31.2%</b>	<b>144,735</b>	<b>134,195</b>	<b>7.9%</b>
Stock Option - Non-vested	6,248	-	n.m.	6,248	-	n.m.
Non-recurring items	3,994	-	n.m.	7,988	-	n.m.
<b>Total General and Administrative Expenses</b>	<b>63,923</b>	<b>40,908</b>	<b>56.3%</b>	<b>158,971</b>	<b>134,195</b>	<b>18.5%</b>

In 3Q20, general and administrative expenses, excluding non-recurring items, amounted to R\$53.7 million, increasing 31.2% from the same period last crop year. The increase in expenses reflects mainly the non-cash accounting effect from the increase in the provision for the virtual stock option plan, given the share price appreciation in the period. Such effect was divided into (i) R\$6.9 million of recurring expenses referring to vested options, and (ii) R\$6.2 million of non-recurring expenses referring to non-vested options that, as such, may not be realized. In 9M20, recurring G&A expenses amounted to R\$144.7 million, up 7.9% from the same period last crop year.



## EBITDA

EBITDA RECONCILIATION	3Q20	3Q19	Chg. (%)	9M20	9M19	Chg. (%)
R\$ '000						
<b>Adjusted EBITDA</b>	<b>541,440</b>	<b>417,320</b>	<b>29.7%</b>	<b>1,277,680</b>	<b>1,134,948</b>	<b>12.6%</b>
Adjusted EBITDA Margin	52.6%	49.5%	3.0 p.p.	50.0%	50.3%	-0.3 p.p.
Adjustment to Maturity of Hedge Accounting	(220)	(976)	-77.5%	(846)	(12,331)	-93.1%
Equity Income	336	517	-35.0%	1,544	262	n.m.
Non Recurring Income (Expenses)	345,062	-	n.m.	341,068	-	n.m.
Stock Option - Non-vested	(6,248)	-	n.m.	(6,248)	-	n.m.
Biological Assets	(1,122)	(3,428)	-67.3%	(1,544)	(3,840)	-59.8%
Non-cash effect of IFRS 16 on COGS	70,763	-	n.m.	160,120	-	n.m.
<b>Book EBITDA<sup>1</sup></b>	<b>950,011</b>	<b>413,433</b>	<b>129.8%</b>	<b>1,771,774</b>	<b>1,119,039</b>	<b>58.3%</b>
EBITDA Margin	92.3%	49.2%	43.1 p.p.	69.5%	50.0%	19.5 p.p.
(-) Depreciation and Amortization	(331,420)	(259,569)	27.7%	(879,382)	(656,238)	34.0%
(-) Financial Revenue (Expense), net	(199,398)	(75,026)	165.8%	(343,064)	(171,206)	100.4%
(=) Operating Income	419,193	78,838	431.7%	549,328	291,595	88.4%

<sup>1</sup> - Book EBITDA includes the IFRS 16 impacts

### Adjusted EBITDA

Adjusted EBITDA was R\$541.4 million in 3Q20 (Adjusted EBITDA margin of 52.6%), increasing 29.7% from 3Q19. The improvement in the indicator is mainly due to: (i) the higher sales volume of ethanol (+17.0%), sugar (+11.8%) and cogeneration (+36.7%) in the period, and (ii) the higher sales price of ethanol (+6.6%) and cogeneration (+13.9%) in the quarter.

In 9M20, Adjusted EBITDA grew 12.6%, to R\$1,277.7 million (Adjusted EBITDA margin of 50.0%), reflecting the same factors that positively affected performance in the quarter.

### Main Adjustments to EBITDA in 3Q20 and 9M20

#### 1) Income (Expenses) – Non-recurring: Copersucar Rights

R\$349.1 million received in 3Q20 related to lawsuits filed by Copersucar in which the Company is a party, given that it is a former cooperative member. The impact on net income was R\$230.4 million, net of taxes and other expenses. See the "Copersucar" section of this release for more details.

#### 2) IFRS 16 - Lease

Reduction in Adjusted EBITDA compared to Book EBITDA of R\$70.8 million in 3Q20, related to the revenue of agrarian contracts that are no longer accounted for as cash cost (COGS), but as depreciation of the right-of-use. In 9M20, the reduction in Adjusted EBITDA was R\$160.1 million.

#### 3) Debt maturity (Hedge Accounting)

Expense related to exchange variation on debt settled in 3Q20 that was previously designated as Hedge Accounting at a BRL/USD exchange rate of R\$3.3. Considering that the exchange rate used for the purposes of cash flow in the period was R\$4.1/USD, we adjusted the amount of R\$0.2 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period. In 9M20, we adjusted the amount of R\$0.8 million.

4) Biological assets

Negative non-cash effect of R\$1.1 million on accounting costs (COGS) in 3Q20 from the mark-to-market adjustment of biological assets. In 9M20, the negative effect was R\$1.5 million.

## Operating Cash Generation (Adjusted Cash EBIT)

	3Q20	3Q19	Chg.%	LTM 3Q20	LTM 3Q19	Chg.%
R\$ '000						
<b>Adjusted Cash EBIT</b>	<b>226,268</b>	<b>127,898</b>	<b>76.9%</b>	<b>708,312</b>	<b>720,366</b>	<b>-1.7%</b>
Adjusted EBIT Margin	22.0%	15.2%	6.8 p.p.	19.3%	21.3%	-2.1 p.p.
(-) Maintenance Capex	(315,172)	(289,422)	8.9%	(1,078,955)	(1,000,211)	7.9%
<b>Adjusted EBITDA</b>	<b>541,440</b>	<b>417,320</b>	<b>29.7%</b>	<b>1,787,266</b>	<b>1,720,577</b>	<b>3.9%</b>
Adjusted EBITDA Margin	52.6%	49.5%	3.0 p.p.	48.6%	51.0%	-2.4 p.p.
Adjustment to Maturity of Hedge	(220)	(976)	-77.5%	(1,663)	(16,230)	-89.8%
Equity Income	336	517	-35.0%	1,042	(730)	n.m.
Non Recurring Income (Expenses)	345,062	-	n.m.	447,567	(1,834)	n.m.
Stock Option - Non-vested	(6,248)	-	n.m.	(6,248)	-	n.m.
Biological Assets	(1,122)	(3,428)	-67.3%	7,447	(53,916)	n.m.
Non-cash effect of IFRS 16 on COGS	70,763	-	n.m.	160,120	-	n.m.
<b>Book EBITDA</b>	<b>950,011</b>	<b>413,433</b>	<b>129.8%</b>	<b>2,395,531</b>	<b>1,647,867</b>	<b>45.4%</b>
EBITDA Margin	92.3%	49.2%	43.1 p.p.	65.3%	49.2%	16.1 p.p.

Adjusted Cash EBIT amounted to R\$226.3 million in 3Q20 (Adjusted EBIT margin of 22.0%), increasing 76.9% compared to 3Q19, mainly due to the same factors that positively impacted EBITDA.

## HEDGE

The tables below summarize our sugar and U.S. dollar hedge positions as of December 31, 2019:

### Sugar

	Volume Hedged (tons)	Avg. Price (US\$ c/p)	Avg. Price <sup>1</sup> (R\$/Ton)
<b>Sugar</b>			
<b>2019/2020 crop year</b>	<b>373,794</b>	<b>13.75</b>	<b>1,232</b>
<b>2020/2021 crop year</b>	<b>512,852</b>	<b>13.65</b>	<b>1,263</b>

On December 31, 2019, sugar prices for the 2019/20 crop year were hedged for 373.8 thousand tons at US\$13.75 ¢/lb, or approximately R\$1,232/ton<sup>1</sup>, **which represents practically 100% of the exposure for 4Q20**. For the crop year 2020/21, our sugar prices were hedged for 512.9 thousand tons at US\$13.65 ¢/lb, or R\$1,263/ton<sup>1</sup>, representing **60% of own sugarcane** (considering the same production of 19/20 crop year).

### U.S. Dollar

On December 31, 2019, the Company held open positions through Non-Deliverable Forwards (NDFs) and derivative instruments, which are used to hedge its exports, for the 2019/2020 and 2020/2021 crop years, as follows:

	TOTAL		SUGAR		ETHANOL	
US Dollar	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)
2019/2020 crop year	100,272	4.05	96,277	4.05	3,995	4.16
2020/2021 crop year	152,975	4.20	148,025	4.20	4,950	4.26

The volume of NDFs in U.S. dollar on said date represented approximately 92% of own cane hedged for the 2019/2020 crop year. For the 2020/2021 crop year, the volume of NDFs in U.S. dollar represented 57% of own cane (considering the same production of 19/20 crop year).

<sup>1</sup> For the sugar volume hedged but not denominated in U.S. dollar, the spot exchange rate of R\$4.15/US\$ was adopted.

## Hedge Accounting

### Effect on Shareholders' Equity

In March 2010, inclusive, the Company began to adopt hedge accounting for derivatives classified as hedge instruments, as well as debt denominated in foreign currency.

The quarterly results are recorded in shareholders' equity ("Adjustments to Book Value"), net of deferred income and social contribution taxes. In the period from April to December 2019, we recorded an increase in shareholders' equity of R\$15.4 million.

### Effect on Income Statement

As previously mentioned, certain foreign-denominated liabilities have been designated to Hedge Accounting, which will impact our net revenue.

In 3Q20, a total of US\$0.3 million in debt was recognized, with the exchange rate of R\$3.3/US\$ adopted for the translation of net revenue. Considering that the exchange rate used for the purposes of cash flow in the period was R\$4.1/US\$, we made an adjustment of R\$0.2 million in net revenue and EBITDA to provide a better understanding of the Company's operating cash generation.

In 9M20, a total of US\$1.3 million in debt was recognized at the exchange rate of R\$3.3/US\$ used for the translation of net revenue. Considering that the exchange rate used for the purposes of cash flow in the period was R\$4.0/US\$, we made an adjustment of R\$0.8 million in net revenue and EBITDA to provide a better understanding of the Company's operating cash generation.

## NET FINANCIAL RESULT

FINANCIAL RESULTS	3Q20	3Q19	Chg.%	9M20	9M19	Chg.%
R\$ '000						
Financial Income	17,169	21,681	-20.8%	83,813	79,139	5.9%
Financial Expenses	(71,888)	(78,475)	-8.4%	(228,760)	(237,036)	-3.5%
Exchange Variation / Derivative	(8,455)	(18,232)	-53.6%	(14,739)	(13,310)	10.7%
<b>Financial Income/Expenses</b>	<b>(63,174)</b>	<b>(75,026)</b>	<b>-15.8%</b>	<b>(159,686)</b>	<b>(171,207)</b>	<b>-6.7%</b>
IFRS16 Effects - APV	(61,544)	-	n.m.	(108,698)	-	n.m.
Debt Prepayment Effect	(74,680)	-	n.m.	(74,680)	-	n.m.
<b>Net Financial Result</b>	<b>(199,398)</b>	<b>(75,026)</b>	<b>165.8%</b>	<b>(343,064)</b>	<b>(171,207)</b>	<b>100.4%</b>
Debt Hedge	(220)	(976)	-77.5%	(846)	(12,331)	-93.1%
<b>Financial Result</b>	<b>(199,618)</b>	<b>(76,002)</b>	<b>162.6%</b>	<b>(343,910)</b>	<b>(183,538)</b>	<b>87.4%</b>

The net financial result in 3Q20 was an expense of R\$199.4 million, up 165.8% on 3Q19. In 9M20, the net financial result increased by 100.4%, to R\$343.1 million. The increase in financial expenses in the periods is mainly related to: (i) the effect from the adoption of IFRS 16 as from this crop year and (ii) the accounting effect from exchange variation on the second (and last) installment of foreign-denominated liabilities whose maturity was lengthened in 4Q19 and previously were recorded under Hedge Accounting – R\$74.7 million in 3Q20.

If we exclude these effects on the financial result, financial expenses decreased by 15.8% in 3Q20, to R\$63.2 million, and declined by 6.7% in 9M20, to R\$159.7 million.

## COPERSUCAR

### Obligations

On December 31, 2019, São Martinho recognized the amount of R\$202.3 million in obligations payable to Copersucar under Liabilities on its balance sheet. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under “Obligations - Copersucar” all liabilities related to the contingencies currently in litigation conducted by the attorneys at Copersucar. The total amount of these obligations is secured by bank guarantees.

### Rights

Copersucar is a plaintiff in legal proceedings claiming the refunds/overpayments of various taxes or indemnities. The Company, as a former cooperative member, has a proportional right to these credits, and will inform the market if clear legal right to these amounts is secured.

Copersucar is a party to a suit filed against the Federal Government to compensate for damages for sugar and ethanol price controls in the 1980s.

In June 2017, a court-ordered security was issued of R\$ 5.6 billion (the Company's proportional share: R\$ 730.5 million). In June 2018, a supplementary installment of R\$ 10.6 billion was issued (the Company's proportional share: R\$ 1.4 billion).

The Federal Government is disputing a further claim of R\$ 2.2 billion (the Company's proportional share: R\$ 286.3 million).

In March 2019, Copersucar received and transferred to the Cooperative members the first installment of the initial court ordered debt security (R\$ 906 million). In December 2019, the second installment (R\$ 1.06 billion) and the first installment of the supplementary installment (R\$ 1.725 billion) were released.

Upon transferring the funds, Copersucar retained a sum to cover litigation costs and PIS and COFINS taxes accruing on transfers in the event these occur.

Aligned with the measures taken by Copersucar, the Company filed a lawsuit, supported by a judicial deposit, claiming the suspension of its obligation to pay IRPJ/CSLL/PIS/COFINS. The judicial deposit is recorded in “Taxes with suspended payment”. Pursuant to the Agreement for Purchase and Sale of Shares of Santa Cruz S.A. Açúcar e Álcool (“USC”), the Company transferred R\$ 27,432 thousand to Luiz Ometto Participações S.A., of which R\$ 24,119 thousand is recorded in “Trade payables”.

The transfers, net of withholdings to cover court expenses and taxes under litigation, of R\$ 349,056 thousand was recorded in “Other expenses (income), net”. Management considers the receipt of the remainder credit to be probable, though, as it is not practically certain, no amount has been recorded.

## DEBT

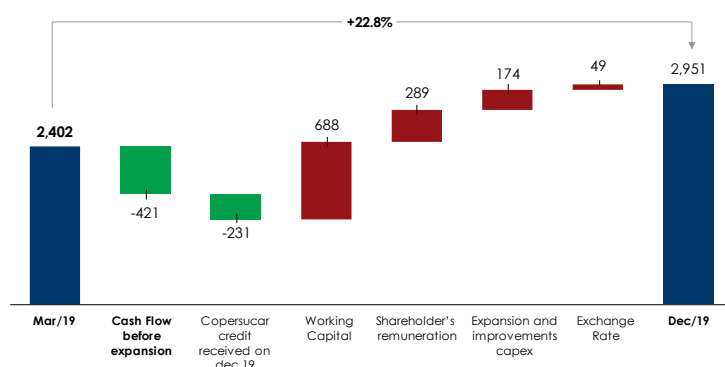
INDEBTEDNESS	Dec/19	Mar/19	Chg.%
R\$ '000			
Agribusiness Certificate of Receivables (CRA)	1,912,685	1,794,696	6.6%
BNDES / FINAME	468,467	542,092	-13.6%
Rural Credit	274,301	393,583	-30.3%
Working Capital	161,743	264,793	-38.9%
PESA	8,263	16,451	-49.8%
PPE (Export prepayment)	1,114,954	1,084,247	2.8%
International Finance Corporation (IFC)	364,442	356,738	2.2%
Obligations from Acquisitions - LOP	38,576	38,605	-0.1%
<b>Gross Debt</b>	<b>4,343,431</b>	<b>4,491,205</b>	<b>-3.3%</b>
Cash and Cash Equivalents	1,392,858	2,089,213	-33.3%
<b>Net Debt</b>	<b>2,950,573</b>	<b>2,401,992</b>	<b>22.8%</b>
Net Debt / LTM EBITDA - R\$	1.65 x	1.46 x	13.0%
Net Debt / LTM EBITDA - USD <sup>1</sup>	1.58 x	1.32 x	20.2%
<b>LTM Adjusted EBITDA</b>			
	<b>1,787,266</b>	<b>1,644,534</b>	<b>8.7%</b>

1 – Net Debt PTAX:  
March/19: R\$3.90  
December/19: R\$4.03

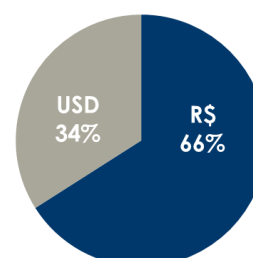
LTM EBITDA average daily PTAX:  
March/19: R\$3.78  
December/19: R\$3.95

In December 2019, the net debt of the Company stood at R\$3.0 billion, up 22.8% from March 2019, mainly reflecting the higher working capital needs in the period, due to the inventory of products, which will be converted into cash by the end of the crop year. The following charts present details of the debt position.

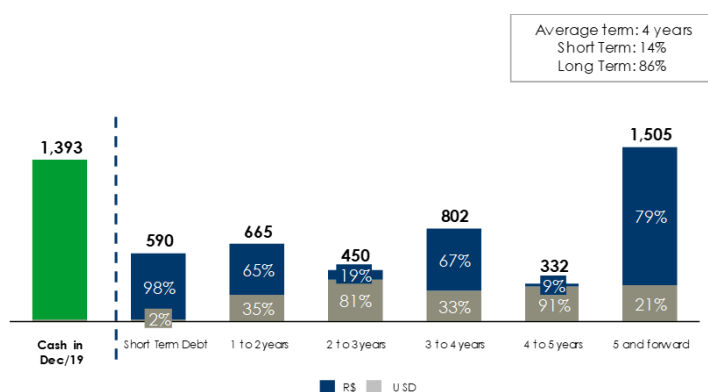
**Changes in Net Debt**  
R\$ '000,000



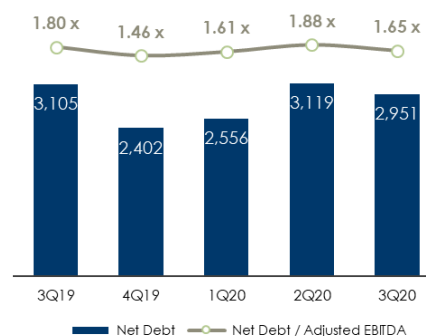
**Currency – Gross Debt**



**Debt Amortization Schedule**  
R\$ '000,000



**Net Debt/LTM EBITDA Evolution**  
R\$ '000,000



## CAPEX

(Maintenance)	3Q20	3Q19	Chg.%	9M20	9M19	Chg.%
R\$ '000						
Sugarcane Planting - Renovation	75,832	70,591	7.4%	215,548	186,337	15.7%
Off-Season Maintenance (Industrial/Agricultural)	89,127	96,342	-7.5%	95,429	97,880	-2.5%
Crop Treatment	150,212	122,489	22.6%	392,085	346,631	13.1%
<b>Total</b>	<b>315,172</b>	<b>289,422</b>	<b>8.9%</b>	<b>703,062</b>	<b>630,848</b>	<b>11.4%</b>
<b>(Operational Improvements)</b>						
Equipment/Replacements	47,011	22,130	112.4%	101,700	50,183	102.7%
<b>Total</b>	<b>47,011</b>	<b>22,130</b>	<b>112.4%</b>	<b>101,700</b>	<b>50,183</b>	<b>102.7%</b>
<b>(Upgrading/Expansion)</b>						
Sugarcane Planting - Expansion / Biological Assets	1,157	40,447	-97.1%	11,827	50,942	-76.8%
Projects (Industrial/Agricultural)	22,779	32,345	-29.6%	74,061	70,734	4.7%
<b>Total</b>	<b>23,936</b>	<b>72,792</b>	<b>-67.1%</b>	<b>85,888</b>	<b>121,676</b>	<b>-29.4%</b>
<b>GRAND TOTAL</b>	<b>386,119</b>	<b>384,345</b>	<b>0.5%</b>	<b>890,649</b>	<b>802,708</b>	<b>11.0%</b>

The Company's maintenance capex amounted to R\$315.2 million in 3Q20, increasing 8.9% from the same period of the previous crop year. In 9M20, it increased by 11.4%, to R\$703.1 million. As discussed in previous quarters, such increase reflects mainly the impact on the price of some inputs for crop treatments, combined with the U.S. dollar appreciation in the period and the expansion in planting area in 19/20 crop year compared to the previous crop year.

Operational improvement capex (investments mainly related to replacing agricultural and industrial equipment to increase yields) amounted to R\$47.0 million in 3Q20, basically reflecting adjustments to the agricultural fleet and industrial parts and equipment. In 9M20, investments in operational improvement amounted to R\$101.7 million, reflecting the same effect observed in the quarter, as well as the time-difference effect of investments estimated for the previous crop year but made in 1Q20.

Expansion capex came to R\$23.9 million in 3Q20, down 67.1% from the same period of the last crop year, reflecting specific investments made in 3Q19, such as the acquisition of the biological assets of Furlan Mill and the expansion of the sugarcane crushing capacity of the Iracema Mill from 3 to 3.5 million tons, and which did not affect this crop year.



## CASH INCOME

São Martinho's cash income in 3Q20 amounted to R\$366.5 million, increasing 357.0% from 3Q19. This improvement in the quarter mainly reflects the growth in adjusted EBITDA in the period, as well as the credits received from the Copersucar legal proceeding.

In 9M20, cash income came to R\$548.7 million, increasing 88.6% from the same period of the previous crop year, mainly due to the same factors that affected the quarter.

Cash Income	3Q20	3Q19	Chg. (%)	9M20	9M19	Chg. (%)
R\$ '000						
Net Income	342,920	65,929	420.1%	496,365	228,435	117.3%
Non-cash effect of IFRS 16 on Net Income	12,175	-	n.m.	47,937	-	n.m.
Income Tax booked	82,545	12,909	539.4%	77,658	63,160	23.0%
Income Tax paid	(5,862)	(2,072)	182.9%	(8,416)	(4,444)	89.4%
Judicial Deposit (Income Tax/Social Contribution-Copersucar)	(141,081)	-	n.m.	(141,081)	-	n.m.
Biological Asset	1,122	3,428	-67.3%	1,544	3,840	-59.8%
Maturity of Hedge	74,680	-	n.m.	74,680	-	n.m.
<b>Cash Income</b>	<b>366,499</b>	<b>80,194</b>	<b>357.0%</b>	<b>548,687</b>	<b>290,991</b>	<b>88.6%</b>
<b>Total Shares ex-treasury (in '000)</b>	<b>347,647</b>	<b>350,803</b>	<b>-0.9%</b>	<b>347,647</b>	<b>350,803</b>	<b>-0.9%</b>
<b>Cash Income per share</b>	<b>1.05</b>	<b>0.23</b>	<b>361.2%</b>	<b>1.58</b>	<b>0.83</b>	<b>90.3%</b>

## SHAREHOLDER REMUNERATION POLICY (DIVIDENDS)

As per the notice released on December 9, 2019, the Board of Directors approved a shareholder Remuneration Policy (dividends) that establishes the annual distribution, through dividends and/or interest on equity, of a minimum of: i) 25% of net income for the fiscal year, or (ii) 40% of cash income, whichever is greater. The policy was drafted to establish objective parameters for remunerating shareholders to improve visibility of the amount to be distributed and ensure sustainability in the long term.

## INTEREST ON EQUITY

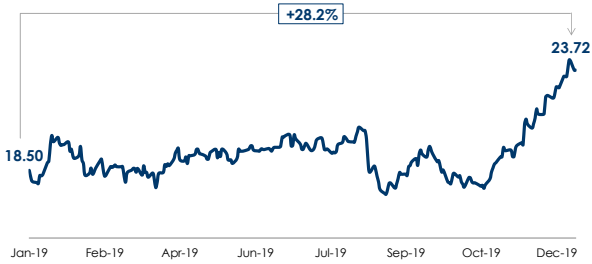
On December 23, 2019, the Company made a payment of interest on equity in the gross amount of R\$120.0 million, equivalent to R\$0.34464282 per share, with 15% income tax withheld at source.

## 6<sup>th</sup> SHARE BUYBACK PROGRAM

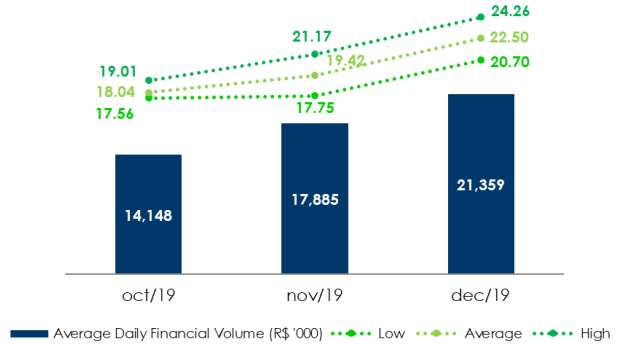
As previously announced, the Company's Board of Directors approved on June 24, 2019 the 6<sup>th</sup> share buyback program involving up to 10 million shares, valid through December 2020, aiming to efficiently invest funds available in cash so as to maximize capital allocation and value creation for shareholders. As of December 2019, the Company had acquired 3,155,300 shares at the average price of R\$18.71/share, for total investment of R\$59.0 million.

## CAPITAL MARKET

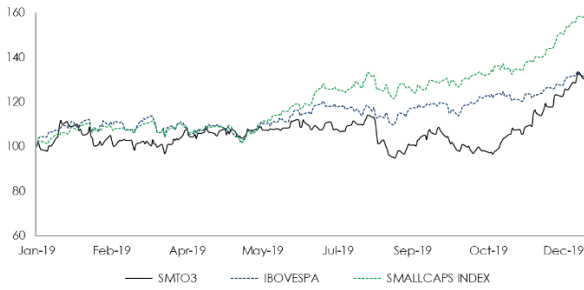
**SMTO3 Performance – 12 months**  
In R\$



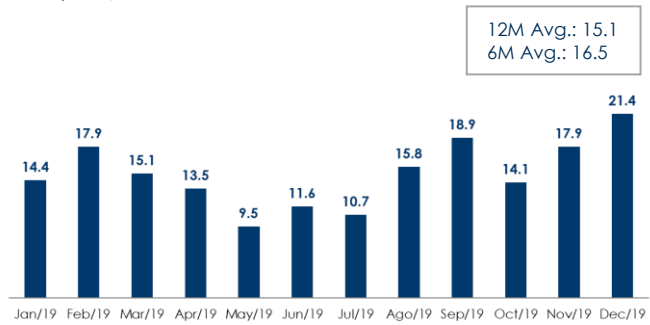
**Price and Volume**  
In R\$



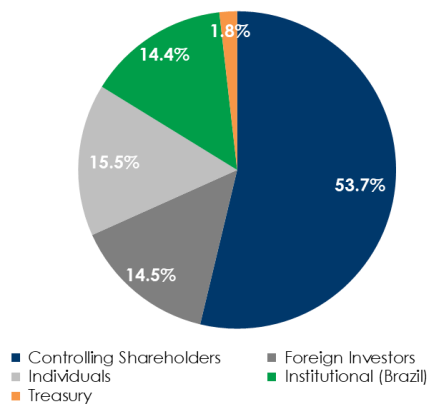
**SMTO3 Performance vs. Stock Indexes**  
Base 100



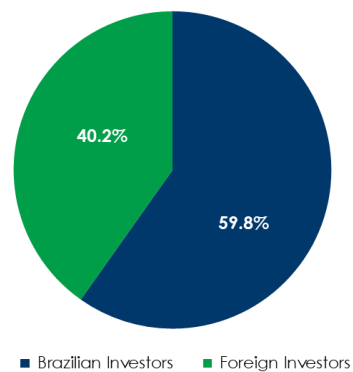
**Average Daily Trading Volume**  
R\$ '000,000



**Ownership Structure**  
Base: December 31, 2019



**Free-Float Composition**



## **INVESTOR RELATIONS TEAM**

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## **DISCLAIMER**

This document contains forward-looking statements related to the business outlook, operating and financial projections and growth prospects of São Martinho. These statements are merely projections and as such are based exclusively on Management's expectations for the future of the business. These forward-looking statements depend materially on changes in market conditions and the performance of the Brazilian economy, the industry and international markets, and therefore are subject to change without prior notice.

## **FINANCIAL STATEMENTS**

The figures in the tables below consider the impacts from adoption of IFRS 16 starting 1Q20, in accordance with the consolidated and audited Financial Statements, including the effects detailed in section 'Adoption of IFRS 16/CPC 06 – Leases' on page 3 of this earnings release.

## INCOME STATEMENT

SÃO MARTINHO S.A. - CONSOLIDATED	3Q20	3Q19	Chg. (%)	9M20	9M19	Chg. (%)
R\$ '000						
Gross Revenue	1,138,116	928,677	22.6%	2,791,527	2,469,512	13.0%
Deductions from Gross Revenue	(108,922)	(87,899)	23.9%	(243,939)	(232,841)	4.8%
<b>Net Revenue</b>	<b>1,029,194</b>	<b>840,778</b>	<b>22.4%</b>	<b>2,547,588</b>	<b>2,236,671</b>	<b>13.9%</b>
Cost of Goods Sold (COGS)	(663,480)	(619,815)	7.0%	(1,754,521)	(1,572,484)	11.6%
<b>Gross Profit</b>	<b>365,714</b>	<b>220,963</b>	<b>65.5%</b>	<b>793,067</b>	<b>664,187</b>	<b>19.4%</b>
Gross Margin (%)	35.5%	26.3%	9.3 p.p	31.1%	29.7%	1.4 p.p
<b>Operating Expenses</b>	<b>252,877</b>	<b>(67,099)</b>	<b>n.m.</b>	<b>99,325</b>	<b>(201,386)</b>	<b>n.m.</b>
Selling Expenses	(35,471)	(23,985)	47.9%	(98,177)	(66,571)	47.5%
General and Administrative Expenses	(67,961)	(44,033)	54.3%	(171,157)	(144,324)	18.6%
Equity in the results of investees	336	517	-35.0%	1,544	262	n.m.
Other operating income (expenses), net	355,973	402	n.m.	367,115	9,247	n.m.
<b>Operating Profit, Before Financial Effects</b>	<b>618,591</b>	<b>153,864</b>	<b>302.0%</b>	<b>892,392</b>	<b>462,801</b>	<b>92.8%</b>
<b>Financial Result, Net</b>	<b>(199,398)</b>	<b>(75,026)</b>	<b>165.8%</b>	<b>(343,064)</b>	<b>(171,206)</b>	<b>100.4%</b>
Financial Income	17,170	21,682	-20.8%	94,075	79,140	18.9%
Financial Expenses	(133,432)	(78,476)	70.0%	(337,458)	(237,036)	42.4%
Monetary and Exchange Variations - Net	(81,471)	(8,302)	n.m.	(86,668)	35,451	n.m.
Derivatives Results	(1,665)	(9,930)	-83.2%	(13,013)	(48,761)	-73.3%
<b>Profit before income tax and social contribution</b>	<b>419,193</b>	<b>78,838</b>	<b>431.7%</b>	<b>549,328</b>	<b>291,595</b>	<b>88.4%</b>
Income Tax and Social Contribution - Current	(142,878)	(22,197)	n.m.	(120,782)	(7,349)	n.m.
Income Tax and Social Contribution - Deferred	66,605	9,288	n.m.	67,819	(55,811)	n.m.
<b>Net Income</b>	<b>342,920</b>	<b>65,929</b>	<b>420.1%</b>	<b>496,365</b>	<b>228,435</b>	<b>117.3%</b>
Net Margin (%)	33.3%	7.8%	25.5 p.p	19.5%	10.2%	9.3 p.p

**BALANCE SHEET (ASSETS)**

<b>SÃO MARTINHO S.A. CONSOLIDATED - ASSETS</b>			
R\$ '000			
<b>ASSETS</b>		<b>Dec/19</b>	<b>Mar/19</b>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents		18,094	197,607
Financial investments		1,326,231	1,838,261
Trade Receivables		377,966	163,412
Derivative Financial Instruments		106,451	53,967
Inventories and advance to suppliers		1,035,967	232,322
Biological Assets		657,952	657,057
Taxes Recoverable		30,967	20,124
Income Tax and Social Contribution		63,240	79,759
Other assets (substantially IAA Copersucar)		166,440	10,191
<b>TOTAL CURRENT ASSETS</b>		<b>3,783,308</b>	<b>3,252,700</b>
<b>NON-CURRENT ASSETS</b>			
<b>Long-term Receivables</b>			
Financial investments		48,533	53,345
Inventories and advance to suppliers		55,127	131,881
Derivative Financial Instruments		16,156	229
Trade Receivables		19,733	22,488
Receivables from Copersucar		10,017	10,017
Taxes Recoverable		85,462	79,790
Judicial Deposits		87,201	27,210
Other Assets		57,159	14,366
		<b>379,388</b>	<b>339,326</b>
<b>Investments</b>		34,787	33,537
<b>Property, plant and equipment</b>		5,448,001	5,644,660
<b>Intangible assets</b>		466,182	478,499
<b>Right-of-use assets</b>		1,396,119	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,724,477</b>	<b>6,496,022</b>
<b>TOTAL ASSETS</b>		<b>11,507,785</b>	<b>9,748,722</b>

**BALANCE SHEET (LIABILITIES)**

<b>SÃO MARTINHO S.A. CONSOLIDATED - LIABILITIES</b>			
R\$ '000			
<b><u>LIABILITIES AND EQUITY</u></b>	<b><u>Dec/19</u></b>	<b><u>Mar/19</u></b>	
<b>CURRENT LIABILITIES</b>			
Borrowings	578,230	754,999	
Leases payable	65,887	-	
Land partnership payable	286,028	-	
Derivative Financial Instruments	54,283	37,369	
Trade Payables	78,397	152,713	
Payables to Copersucar	9,094	9,094	
Salaries and Social Charges	151,144	134,372	
Taxes Payable	47,859	40,833	
Income Tax and Social Contribution	6,382	4,178	
Dividends Payable	4	81,077	
Advances from Customers	26,101	4,295	
Acquisition of Ownership interests	11,686	11,715	
Other Liabilities	62,614	27,020	
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,377,709</b>	<b>1,257,665</b>	
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	3,726,625	3,697,601	
Leases payable	326,492	-	
Land partnership payable	843,045	-	
Derivative Financial Instruments	37,976	13,520	
Payables to Copersucar	193,210	201,498	
Taxes Payable	5,823	2,998	
Deferred Income Tax and Social Contribution	925,264	988,760	
Provision for Contingencies	100,913	103,817	
Acquisition of Ownership interests	26,890	26,890	
Taxes with suspended payment	242,188	58,313	
Other Liabilities	6,650	6,650	
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>6,435,076</b>	<b>5,100,047</b>	
<b>EQUITY</b>			
Share Capital	1,696,652	1,696,652	
Capital Reserve	9,418	9,418	
Treasury Shares	(115,918)	(234,100)	
Carrying Value Adjustments	1,028,350	1,016,355	
Revenue Reserves	781,928	902,685	
Retained Earnings	294,570	-	
<b>TOTAL EQUITY</b>	<b>3,695,000</b>	<b>3,391,010</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11,507,785</b>	<b>9,748,722</b>	

## CONSOLIDATED CASH FLOW

<b>SÃO MARTINHO S.A.</b>	<b>9M20</b>	<b>9M19</b>
R\$ '000		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net Income in the period</b>	<b>496,365</b>	<b>228,435</b>
<b>Adjustments</b>		
Depreciation and amortization	442,448	268,018
Biological assets harvested	430,360	380,067
Change in the fair value of biological assets	1,544	3,840
Amortization of energy contracts	6,574	8,153
Equity in the results of investees	(1,544)	(262)
Gains (losses) on investments and PP&E written off	(16,968)	6,521
Interest, monetary and exchange variations, net	219,847	144,263
Derivatives Financial Instruments	15	2,417
Setup of provision for contingences, net	8,822	7,650
Income tax and social contribution	52,963	63,160
Taxes with suspended eligibility	42,794	-
Adjustment to present value and other adjustments	98,063	5,279
	<b>1,781,283</b>	<b>1,117,541</b>
<b>Changes in asset and liabilities</b>		
Trade receivables	(201,595)	(104,890)
Inventories	(410,915)	(458,683)
Taxes recoverable	24,998	95,001
Derivatives Financial Instruments	(34,809)	13,429
Other assets	(257,560)	4,948
Trade payables	(82,319)	59,652
Salaries and social charges	16,773	(29,101)
Taxes payable	40,251	26,148
Payables to Copersucar	(11,114)	(9,989)
Provision for contingencies - settlement	(16,225)	(17,226)
Other liabilities	60,851	(13,716)
	<b>909,619</b>	<b>683,114</b>
<b>Cash from operations</b>		
Payment of interest on borrowings	(145,800)	(176,388)
Income tax and social contribution paid	(8,416)	(4,444)
<b>Net cash provided by operating activities</b>	<b>755,403</b>	<b>502,282</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment of funds	(1,687)	(18,335)
Purchases of property, plant and equipment and intangible assets	(266,002)	(242,454)
Additions to biological assets (planting and crop treatments)	(618,351)	(562,926)
Financial investments	583,010	354,421
Proceeds from sale of property, plant and equipment	7,417	4,309
Advance for future capital increase	-	(833)
Dividends received	294	-
<b>Net cash provided by (used in) investing activities</b>	<b>(295,319)</b>	<b>(465,818)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amortization of lease and partnership agreements	(104,680)	-
Proceeds from borrowings – third parties	416,413	1,153,510
Repayment of borrowings - third parties	(662,281)	(998,221)
Payment of dividends and interest on capital	(229,999)	(180,000)
Acquisition of treasury shares	(59,050)	-
<b>Net cash provided by (used in) financing activities</b>	<b>(639,597)</b>	<b>(24,711)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(179,513)</b>	<b>11,753</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>197,607</b>	<b>140,865</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>18,094</b>	<b>152,618</b>