

EARNINGS RELEASE

1st Quarter
2019/2020 Crop Year



Net Income of R\$91.5 million in 1Q20

1Q20 Highlights

- ✓ Adjusted EBITDA amounted to R\$348 million in 1Q20 (-13%), with Adjusted EBITDA margin of 46.1%. The nominal decrease in the quarter mainly reflects: (i) the seasonal increase in unit cost, due to the lower volume of TRS produced in 1Q20 compared to 1Q19 and (ii) the increase in Consecana (+8%), due to higher ethanol and sugar prices in the period;
- ✓ Operating Cash Flow¹ amounted to R\$167 million in 1Q20, **down 29% compared to 1Q19**;
- ✓ Net Income came to **R\$91 million** in 1Q20, while Cash Income was R\$67 million;
- ✓ At June 28, 2019, our sugar prices for the coming quarters of 19/20 crop year were hedged for **~555 thousand tons** at an average price of **~R\$1,186/ton**.

The data provided above do not include impacts from adoption of IFRS 16 – Agrarian Contracts, except for net income.

1 – Operating Cash Flow = Adjusted EBITDA – Maintenance Capex

Executive Summary	1Q20	1Q19	Chg. (%)
Net Revenue ¹	754,934	771,166	-2.1%
Adjusted EBITDA	348,383	401,390	-13.2%
Adjusted EBITDA Margin	46.1%	52.0%	-5.9 p.p.
Adjusted EBIT	118,326	198,124	-40.3%
Adjusted EBIT Margin	15.7%	25.7%	-10.0 p.p.
Net Income before taxes	76,241	153,825	-50.4%
Non-cash effect from IFRS16 adoption on Net Income	(4,897)	-	n.m.
Net Income	91,463	103,959	-12.0%
Cash Income	66,529	157,827	-57.8%
Net Debt / EBITDA	1.61 x	1.41 x	13.6%

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

June 28, 2019

SMT03
R\$20.14 per share

Market Cap:
R\$7,130 million

Earnings Conference Call

August 13, 2019 (Tuesday)

3 p.m. (Brasília time) + 55 11 3193-1070
2 p.m. (New York time) +1 646 828-8246

Access code: São Martinho
To access the webcast, [click here](#)

Índice
Brasil 100 **IBRX 100**

Índice de
Ações com Tag Along
Diferenciada **ITAG**

Índice
BM&FBOVESPA
Small Cap **SMLL**

SMT03
NOVO
MERCADO
BM&FBOVESPA

Adoption of IFRS 16/CPC 06 – Leasing Operations

As of April 1, 2019, the Company adopted IFRS 16 – Leasing Operations, which introduces a single accounting model for leasing and partnership agreements.

As of the adoption, we recognized the payment obligation at present value as a Liability and the right-of-use as an Asset in an amount equivalent to the Liability.

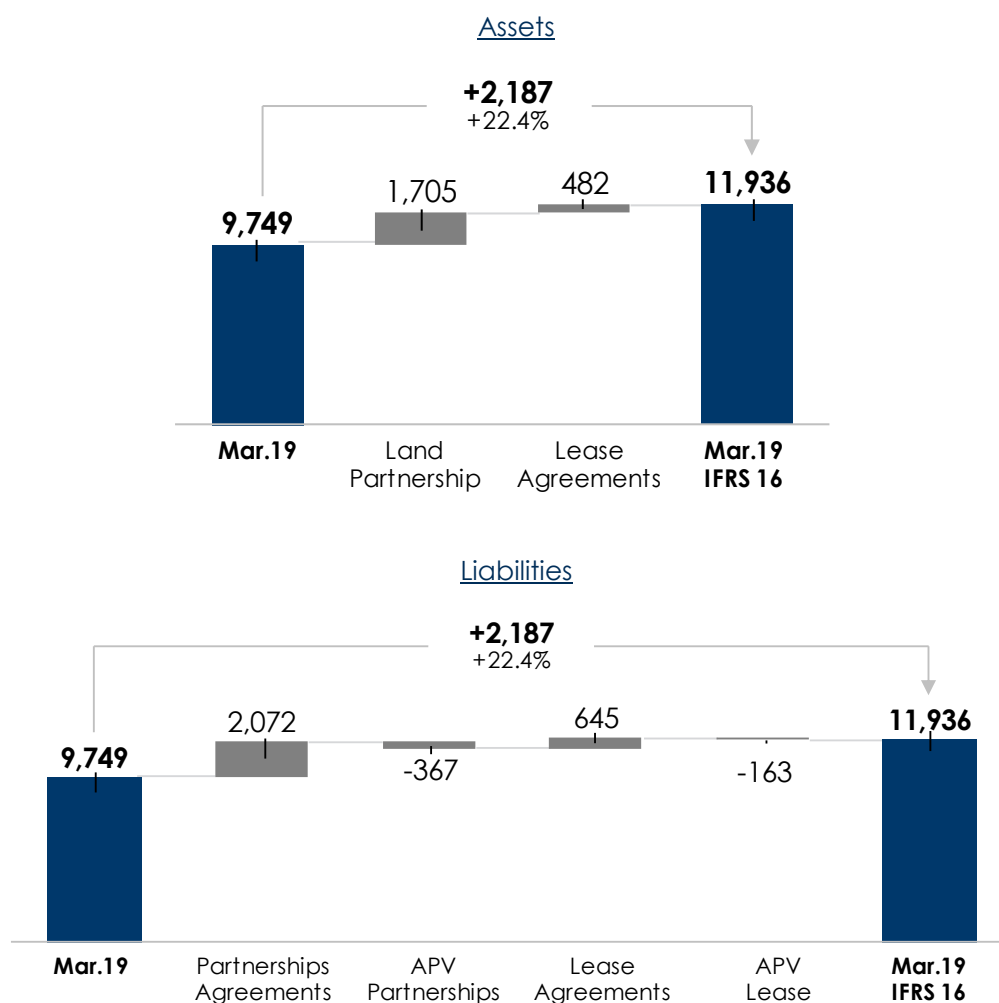
After mark-to-market adjustment, the subsequent monthly changes are:

- (i) **Assets:** the amortization of right-of-use under Assets are registered in the line production costs (inventories) based on the remaining useful life of the contracts, which are written off to **profit or loss** when sold.
- (ii) **Liabilities:** the changes in Liabilities follow the normal flow of contract payments. Meanwhile, in the **profit or loss**, financial charges are apportioned based on the adjusted present value (APV).

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 adoption on Balance Sheet (04.01.2019)



Impacts from IFRS16 adoption on Income Statement for 1Q20:

1Q20 Results	Before IFRS 16	Impacts	After IFRS 16
Net Revenue¹	754,934	-	754,934
COGS	(557,867)	4,836	(553,031)
└ (-) Partnership and Lease Expenses		56,195	
└ (+) Amortization of the Right-of-Use		(51,359)	
Gross Income	197,067	4,836	201,903
Selling/General/Adm. Expenses	(69,059)		(69,059)
Op. Income Before Financial Result	128,008	4,836	132,844
Financial Result/Debt Hedge	(51,767)	(12,191)	(63,958)
└ APV Partnership and Lease		(12,191)	
Income before Taxes	76,241	(7,355)	68,885
Income tax	20,120	2,458	22,578
Net Income	96,361	(4,897)	91,463

We no longer account for cash cost of agrarian contracts

We now account for contract amortization

Adjustment to Present Value (APV) of agrarian contracts is accounted for as net financial result

Book EBITDA	357,623	56,195	413,818
Adjustment to Maturity of Hedge	442		442
Biological Assets	(9,274)		(9,274)
Equity Income (Loss)	(408)		(408)
IFRS 16 Partnership and Lease Payment	-	(56,195)	(56,195)
Adjusted EBITDA	348,383	-	348,383

As we no longer account for cash cost of agrarian contracts, Book EBITDA increased, which effect has been adjusted for the Adjusted EBITDA

1- Excludes the Hedge Accounting effect of foreign-denominated debt and PPA USC

To improve analysis and comparisons between quarters, the data presented in this release exclude impacts from the adoption of IFRS 16 related to agrarian contracts.

COMPANY OVERVIEW

Operating Highlights

OPERATIONAL DATA	1Q20	1Q19	Chg.(%)
Crushed Sugarcane ('000 tons)	9,042	9,508	-4.9%
Own	6,246	6,527	-4.3%
Third Parties	2,796	2,981	-6.2%
Mechanized Harvest	100%	100%	0.0 p.p.
Agricultural Yield (ton/ha)	89.1	79.6	11.9%
Average TRS (kg/ton)	122.7	131.9	-7.0%
Production			
Sugar ('000 tons)	436	406	7.3%
Ethanol ('000 m ³)	382	486	-21.5%
Cogeneration ('000 MWh)	295	327	-9.6%
TRS Produced	1,109	1,254	-11.5%
Sugar - Ethanol Mix	41% - 59%	34% - 66%	

During the first quarter of the 19/20 season, the Company processed 9.0 million tons of sugarcane, 4.9% less than in the same period of previous crop year, due to heavier rainfall at the start of the crop year, compared to dry weather in the 18/19 season.

The rains were important for supporting a recovery in the yields of our sugarcane fields (average yields in the period of 89.1 tons/hectare, up 11.9% from 1Q19), but had some impact on TRS at the start of the crop year.

Furthermore, part of our sugarcane fields was affected by frost in early July, as disclosed in a Notice to the Market. In the first week of August, we concluded the harvest of 100% of the hectares affected and, unlike the frost in 2016, there should be no impacts on crushing volume initially projected by São Martinho.

Accordingly, **we reaffirm our operating guidance of crushing volume of approximately 22.0 million tons of sugarcane** in the 19/20 crop year, with growth of ~5% in product volume in TRS equivalent compared to the prior crop year, in line with production mix scenarios of the guidance.

Financial Indicators

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

	1Q20	1Q19	Chg. (%)
R\$ '000			
Net Revenue ¹	754,934	771,166	-2.1%
Adjusted EBITDA	348,383	401,390	-13.2%
Adjusted EBITDA Margin	46.1%	52.0%	-5.9 p.p.
Adjusted EBIT	118,326	198,124	-40.3%
Adjusted EBIT Margin	15.7%	25.7%	-10.0 p.p.
Consolidated Balance Sheet Indicators			
Total Assets	10,298,538	9,506,614	8.3%
Shareholders' Equity	3,523,434	3,233,527	9.0%
EBITDA (LTM)	1,591,527	1,875,488	-15.1%
Net Debt	2,556,381	2,651,458	-3.6%
Net Debt / EBITDA (LTM)	1.61 x	1.41 x	13.6%
Net Debt / Shareholders' Equity	73%	82%	

1 - Excludes the Hedge Accounting effect of foreign-denominated debt and PPA USC

Data do not include the IFRS 16 impacts - Agrarian Contracts

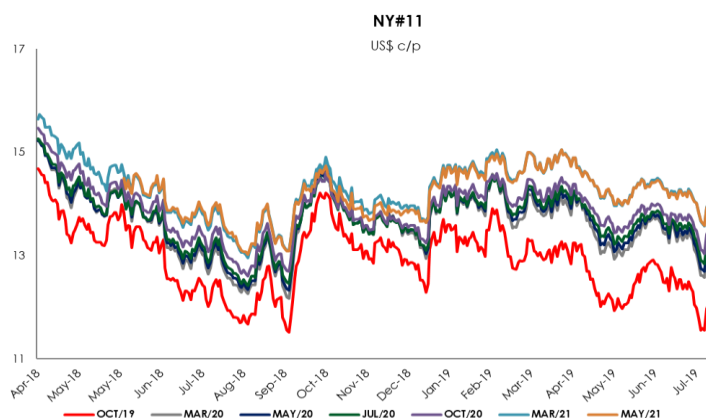
INDUSTRY OVERVIEW

According to the report issued by the Sugarcane Industry Association (UNICA), since the start of crop year until August 1st, 2019, the Center-South region processed 307.8 million tons of sugarcane, 2.8% less than in the previous crop year, mainly due to heavier rainfall observed in April, being 35.3% of the mix allocated to sugar production and 64.7% to ethanol production.

Sugar

According to UNICA, since the start of crop year, Brazil's Center-South region produced 13.3 million tons of sugar, down 9.9% from the prior crop year, due to the lower production in the period, as well as the shift in the production mix towards ethanol, given the product's higher profitability relative to sugar in the period.

In this scenario of higher pressure in the short term, given the still-high product inventories, we have reduced our exposure to sugar prices, hedging 555,000 tons of sugar for the coming quarters of the 19/20 crop year, which represents approximately 78% of own cane (considering the lower end of the range for sugar production, as per the Material Fact on guidance for the crop year), at an average price of ~R\$ 1,186/ton.



Source: Bloomberg

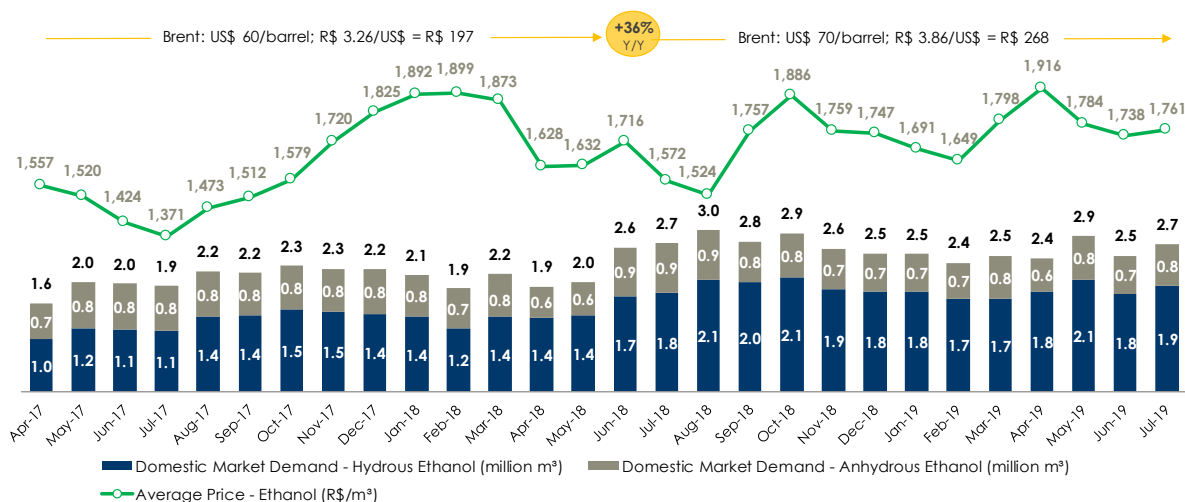
Ethanol

According to UNICA data as of August 1st, 2019, ethanol production in Brazil's Center-South region decreased 4.1% from the prior crop year, due to the lower production, despite the shift in the production mix towards ethanol.

According to data from ANP, the share of hydrous ethanol consumption at the pump increased to almost 48% between July 2018 and June 2019, compared to 35% in the previous 12 months, considering the consumption of C gasoline in key consumer states (São Paulo, Minas Gerais and Goiás).

Given the resilience in monthly consumption, especially of hydrous ethanol, and the inventory levels 30% lower than in the prior crop year, average ethanol prices rose sharply in the first few months of the 19/20 crop year in relation to the prior-year period. In a scenario of stability in the oil price and exchange rate, we believe that conditions for the ethanol market are favorable, with support for even higher prices over the crop year.

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



Source: UNICA and CEPEA/ESALQ

FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	1Q20	1Q19	Chg. (%)
R\$ '000			
Domestic Market	476,719	479,211	-0.5%
Sugar	32,146	34,823	-7.7%
Ethanol	352,806	353,768	-0.3%
Energy	67,561	75,707	-10.8%
Real Estate Development	475	1,312	-63.8%
Others	23,731	13,601	74.5%
Export Market	278,215	291,955	-4.7%
Sugar	224,571	272,644	-17.6%
Ethanol	53,644	19,311	177.8%
Others	-	-	n.m.
Net Revenue¹	754,934	771,166	-2.1%
Sugar	256,717	307,467	-16.5%
Ethanol	406,450	373,079	8.9%
Energy	67,561	75,707	-10.8%
Real Estate Development	475	1,312	-63.8%
Others	23,731	13,601	74.5%

1 - Excludes the Hedge Accounting effect of foreign-denominated debt and PPA USC

Net Revenue

In the first quarter of the 19/20 crop year, the Company's net revenue amounted to R\$754.9 million, decreasing 2.1% from the same period last crop year. The main factors supporting this result were: (i) the lower sugar sales volume, given the Company's decision to concentrate sales in the coming quarters, (ii) the reduction in cogeneration sales volume, due to the lower supply of bagasse in 1Q20, explained by the reduction in crushing volume; and (iii) the lower sales prices for sugar and cogeneration, which were partially offset by the higher average price for ethanol.

Main Adjustments in Net Revenue for 1Q20

1) Debt maturity (Hedge Accounting)

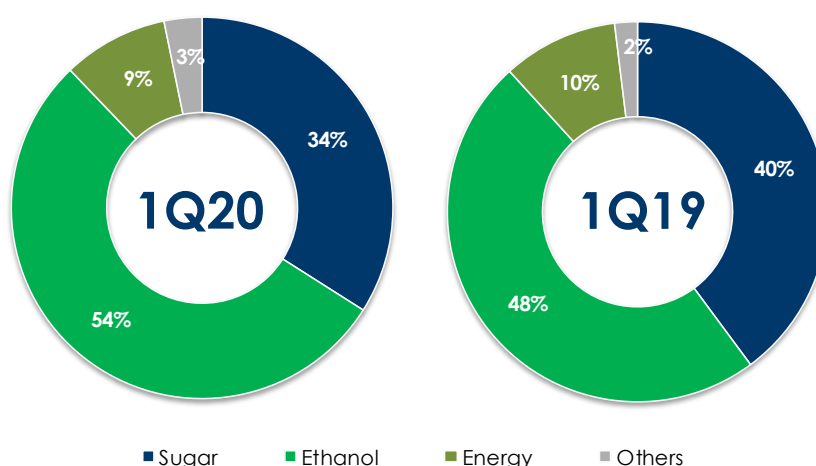
Expense related to exchange variation on debt settled in 1Q20 that was previously designated as Hedge Accounting at a BRL/USD exchange rate of R\$3.3. Considering that the exchange rate used for the purposes of cash flow in the period was R\$3.9/USD, we adjusted the amount of R\$0.4 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period.

2) Purchase Price Allocation (PPA)

Non-cash expense of R\$2.8 million, due to the amortization of goodwill paid for the future profitability of the cogeneration volume of the Santa Cruz Mill in 1Q20.

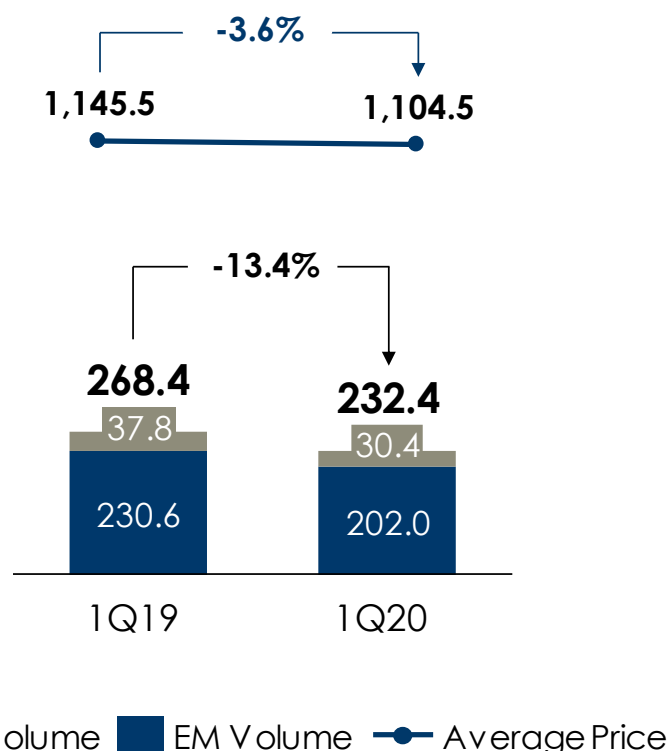
The following charts present a breakdown of the Company's net revenue by product:

Net Revenue Distribution



Sugar

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

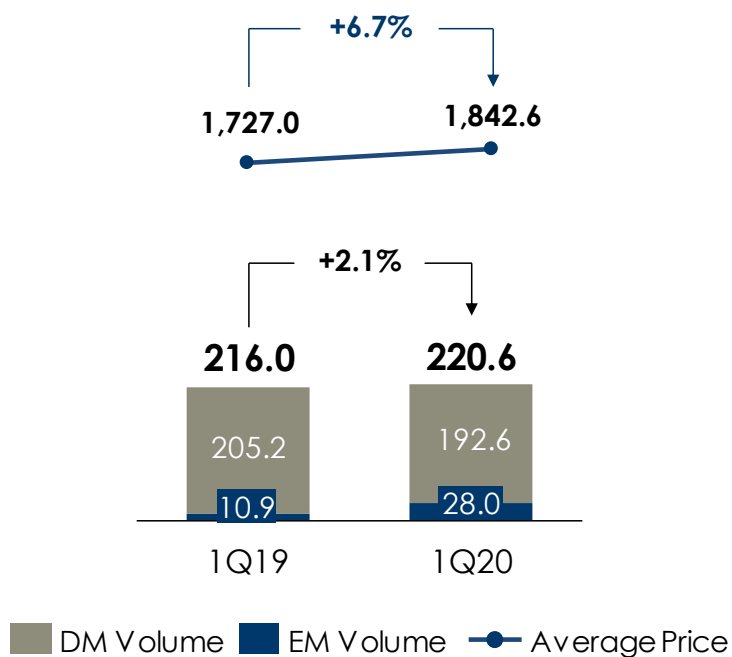


Net revenue from sugar sales amounted to R\$256.7 million in 1Q20, down 16.5% compared to the same period last crop year. The decline in sugar revenue is mainly due to: (i) the lower sugar sales volume, given the Company's decision to concentrate sales in the coming quarters, and (ii) the 3.6% reduction in the average sales price for sugar in the quarter, given the decline in the commodity's price (uncontracted spot portion).

As described before, we already have hedged 555,000 tons of sugar for the coming quarters of the 19/20 crop year, which represents approximately 78% of own sugar (considering the lower end of the range for sugar production, as per the Material Fact on guidance for the crop year), at the average price of ~R\$1,186/ton.

Ethanol

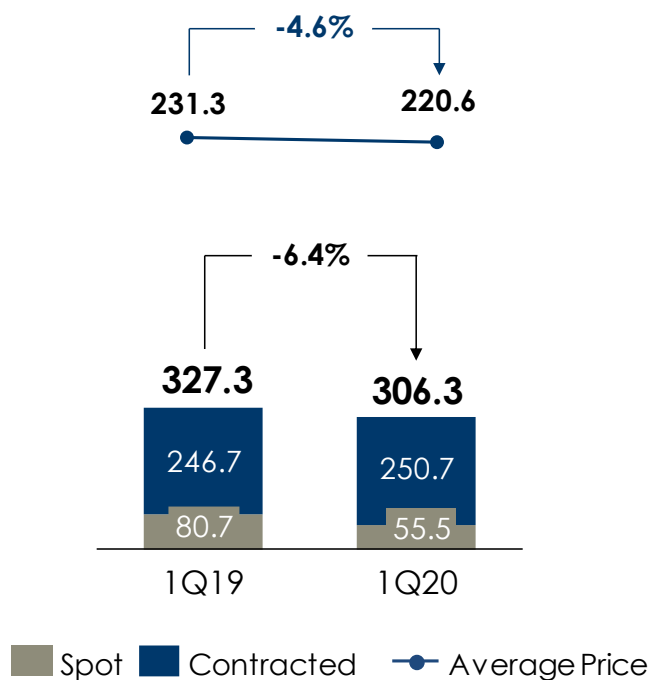
Volume ('000 m³) and Average Price (R\$/m³)



Net revenue from ethanol sales amounted to R\$406.5 million in 1Q20, up 8.9% from 1Q19, due to: (i) the higher ethanol sales price in the period (+6.7%), due to the higher concentration of sales in April and May, during the peak in prices in the quarter; and (ii) the higher sales volume (+2.1%).

Cogeneration

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



Net revenue from cogeneration sales amounted to R\$67.6 million in 1Q20, decreasing 10.8% from the same period last crop year, due to: (i) the reduction in sales volume (-6.4%), given the lower supply of bagasse due to the lower crushing volume in the period; and (ii) the decrease in the average sales price in the period (-4.6%), given the lower spot price.

Real Estate Development

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

Real Estate Development	Type	City	Area (m²)	Launch date	Total lots sold	POC Position
Recanto das Paineiras	Residential	Iracemápolis	376,567	June-14	99.6%	100.0%
Park Empresarial - I	Industrial	Iracemápolis	182,684	September-14	76.1%	100.0%
Park Empresarial - II	Industrial	Iracemápolis	133,794	October-17	28.6%	99.0%
Nova Pradópolis - Phase I	Residential	Pradópolis	246,937	December-15	95.4%	100.0%
Nova Pradópolis - Phase II	Residential	Pradópolis	255,750	July-17	55.1%	100.0%

In 1Q20, the Company recognized net revenue of R\$0.5 million and cash generation of R\$2.1 million.

Real Estate Development	Net Revenue 1Q20	Cash Generation 1Q20	Portfolio June/19
R\$ '000			
Current Projects	475	2,117	27,908
Land Monetization	0	271	2,739
Total	475	2,388	30,647

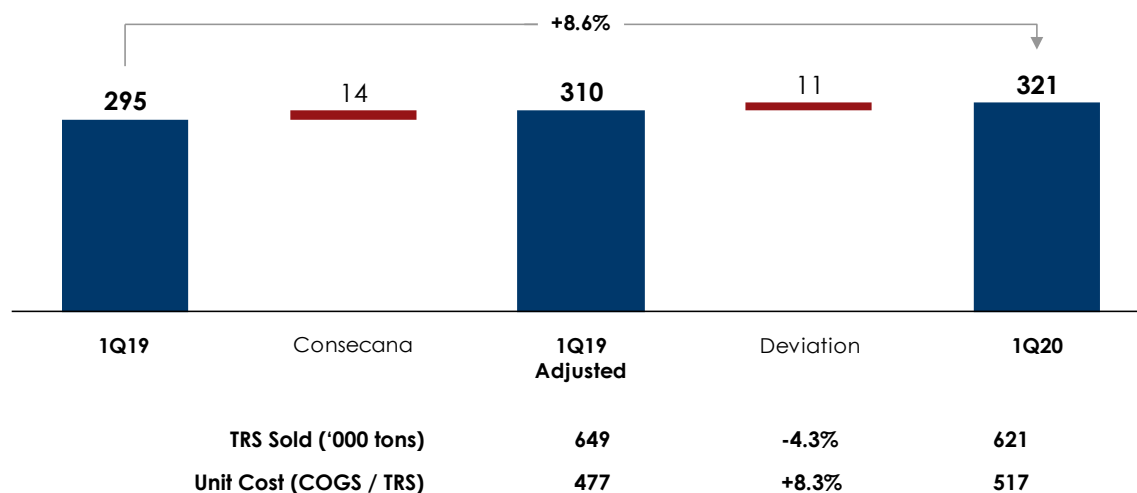
CASH COGS

CASH COGS	1Q20	1Q19	Chg. (%)
R\$ '000			
Agricultural Costs	278,620	256,438	8.7%
Suppliers	145,790	134,076	8.7%
Partnerships	66,221	61,497	7.7%
Own Sugarcane	66,609	60,865	9.4%
Industrial	42,416	41,516	2.2%
Other Products	23,033	14,337	60.7%
Reintegra	(281)	(3,064)	-90.8%
Total COGS	343,788	309,227	11.2%
TRS Sold ('000 Tons)	621	649	-4.3%
Unit Cost (Sugar and Ethanol Cash COGS / TRS)	517	455	13.7%

Data do not include the IFRS 16 impacts - Agrarian Contracts

Cash COGS in 1Q20 amounted to R\$343.8 million, up 11.2% from the same period last crop year, mainly due to: (i) the seasonal effect from the lower dilution of costs, given the reduction in production volume in 1Q20 versus 1Q19; and (ii) the increase in Consecana (+8%).

The following chart shows the variation in costs, considering only sugar and ethanol, in 1Q20 compared to 1Q19, excluding the impact from Consecana in the period.



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.

Cash COGS per Product	1Q20	1Q19	Chg. (%)
R\$ '000			
COGS (Cash)	320,760	295,311	8.6%
Sugar	131,420	130,138	1.0%
Ethanol	189,340	165,173	14.6%
Average Cash Cost Per Unit¹			
Sugar Cash Cost	565.4	484.8	16.6%
Ethanol Cash Cost	858.4	764.6	12.3%

Data do not include the IFRS 16 impacts - Agrarian Contracts

¹ - Sugar in R\$/ton

Ethanol in R\$/m³

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 (1Q20 and 1Q19).

	1Q20						1Q19					
	Sugar	Ethanol	Energy	Real Estate Development	Others	Total	Sugar	Ethanol	Energy	Real Estate Development	Others	Total
R\$ '000,000												
Net Revenue ¹	257	406	68	0	24	755	307	373	76	1	14	771
(-) Costs/Expenses	-167	-219	-19	-1	-2	-407	-166	-186	-16	-1	-1	-370
(=) Adjusted EBITDA	90	188	49	0	22	348	142	187	59	1	13	401
Adjusted EBITDA Margin	35%	46%	73%	-32%	91%	46%	46%	50%	78%	45%	93%	52%
Average EBITDA Cost (R\$/unit²)	717	991	61				617	861	50			
(+) Depreciation/Amortization	-82	-136	-7	0	-5	-230	-79	-114	-8	0	-3	-203
(=) Adjusted EBIT	8	52	42	0	17	118	63	73	52	1	10	198
(-) Depreciation/Amortization	82	136	7	0	5	230	79	114	8	0	3	203
(-) Maintenance Capex	-70	-111	0	0	0	-181	-63	-101	0	0	0	-164
(=) Cash Generation	20	77	49	0	22	167	79	86	59	1	13	237
Volume sold (unit ³)	232	221	306	-	-	621	268	216	327	-	-	649
Average Price (R\$/unit²)	1,105	1,843	221	-	-	-	1,145	1,727	231	-	-	-
Average Total Cash Cost (R\$/unit²)	1,020	1,494	61	-	-	-	852	1,330	50	-	-	-

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

² Units: Sugar: tons, Ethanol: m³, Energy: MWh, Total: Kgs of sugar and ethanol TRS/ton

³ Sugar: '000 tons, Ethanol: '000 m³, Energy: '000 MWh, Total: '000 tons of TRS

Data do not include the IFRS 16 impacts - Agrarian Contracts

Sugar cash cost in 1Q20 was R\$1,020/ton, up 19.7% from 1Q19. Given that in the same period the average sugar sales price decreased 3.6%, the product's margin fell 18 p.p. between 1Q20 and 1Q19. In the case of ethanol, cash cost in the crop year was R\$1,494/m³, increasing 12.3% from the previous crop year, with margin reducing 4 p.p., since the ethanol price increased 6.7% from 1Q19.

In the coming quarters, the Company expects to reduce gradually its sugar and ethanol production costs, due to the normalization of crop after the heavy rains in April. We expect sugar and ethanol Cash Cost (excluding Consecana effect) in the 19/20 crop year to be in line with the previous crop year, in other words, the improvement in yield should offset inflation in the comparison of 12M20 with 12M19.

SELLING EXPENSES

	1Q20	1Q19	Chg. (%)
R\$ '000			
Port Costs / Freight	20,043	19,251	4.1%
Other	5,429	4,579	18.6%
Selling Expenses	25,472	23,830	6.9%
TRS Sold ('000 tons)	621	649	-4.3%
% of Net Revenue	3.4%	3.1%	0.3 p.p.

In 1Q20, selling expenses amounted to R\$25.5 million, increasing 6.9% from the same period last crop year. The increase in expenses is mainly due to the costs related to ethanol exports, which were higher this quarter than in the same period last crop year.

CASH GENERAL & ADMINISTRATIVE EXPENSES

	1Q20	1Q19	Chg. (%)
R\$ '000			
Personnel and Management Fee	33,633	27,289	23.2%
Taxes, Fees, Contributions and Contingencies	5,840	3,000	94.7%
General Expenses and Third-Party Services	8,518	10,682	-20.3%
Total General and Administrative Expenses	47,991	40,971	17.1%

In 1Q20, general and administrative expenses amounted to R\$48.0 million, increasing 17.1% from the same period last crop year. The increase in expenses is mainly due to: (i) the non-cash accounting effect from the increase in the provision for the virtual stock options program, given the share price appreciation in the period; and (ii) the seasonal increase in the provision for contingencies arising from the change in risk classification of certain lawsuits, with no additional effect on the amount projected for contingencies in the 19/20 crop year.

EBITDA

EBITDA RECONCILIATION	1Q20	1Q19	Chg. (%)
R\$ '000			
Adjusted EBITDA	348,383	401,390	-13.2%
Adjusted EBITDA Margin	46.1%	52.0%	-5.9 p.p.
Adjustment to Maturity of Hedge Accounting	(442)	(10,305)	-95.7%
Equity Income	408	(849)	n.m.
Biological Assets	9,274	5,431	70.8%
Non-cash effect from IFRS16 adoption on COGS	56,195	-	n.m.
Book EBITDA¹	413,818	395,667	4.6%
EBITDA Margin	54.8%	51.3%	3.5 p.p.
(-) Depreciation and Amortization	(281,416)	(203,266)	38.4%
(-) Financial Income (Expense), net	(63,516)	(38,576)	64.7%
(=) Operating Income (Loss)	68,885	153,825	-55.2%

1- Book EBITDA includes the IFRS 16 impacts - Agrarian Contracts

Adjusted EBITDA

Adjusted EBITDA in 1Q20 was R\$348.4 million (Adjusted EBITDA margin of 46.1%), down 13.1% from 1Q19. The decrease in the quarter is mainly due to: (i) the seasonal increase in unit cost, due to the lower volume of TRS produced in 1Q20 compared to 1Q19; and (ii) the increase in Consecana (+8%), reflecting the better ethanol and sugar prices in the period.

Main Adjustments to EBITDA in 1Q20

1) Adoption of IFRS 16 – Leasing Operations

Positive non-cash effect of R\$56.2 million in 1Q20, due to payments of lease agreements and land partnerships that no longer will be recorded under costs (COGS), but rather will now be recorded under amortization of right-of-use.

2) Debt maturity (Hedge Accounting)

Expense related to the effects from exchange variation on debt settled in 1Q20 that previously was designated as Hedge Accounting with 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\$3.9/USD, we adjusted the amount of R\$0.4 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period.

3) Biological assets

Positive non-cash effect of R\$9.3 million on accounting costs (COGS) in 1Q20 from the mark-to-market adjustment of biological assets.

Operating Cash Generation (Adjusted Cash EBIT)

	1Q20	1Q19	Chg.%	LTM 1Q20	LTM 1Q19	Chg.%
R\$ '000						
Adjusted Cash EBIT	167,202	236,931	-29.4%	568,064	908,361	-37.5%
Adjusted EBIT Margin	22.1%	30.7%	-8.6 p.p.	16.9%	25.8%	-8.9 p.p.
(-) Maintenance Capex	(181,181)	(164,459)	10.2%	(1,023,463)	(967,127)	5.8%
Adjusted EBITDA	348,383	401,390	-13.2%	1,591,527	1,875,488	-15.1%
Adjusted EBITDA Margin	46.1%	52.0%	-5.9 p.p.	47.3%	53.2%	-5.9 p.p.
Adjustment to Maturity of Hedge	(442)	(10,305)	-95.7%	(3,285)	(141,083)	-97.7%
Equity Income	408	(849)	n.m.	1,017	(1,951)	n.m.
Non Recurring Operating Income (Expenses)	-	-	n.m.	106,499	(1,683)	n.m.
Biological Assets	9,274	5,431	70.8%	8,994	(42,094)	n.m.
Non-cash effect from IFRS16 adoption on COGS	56,195	-	n.m.	56,195	-	n.m.
Book EBITDA	413,818	395,667	4.6%	1,760,947	1,688,677	4.3%
EBITDA Margin	54.8%	51.3%	3.5 p.p.	52.3%	47.9%	4.4 p.p.

Adjusted cash earnings before taxes (EBIT) in 1Q20 came to R\$167.2 million (adjusted EBIT margin of 22.1%), down 29.4% from 1Q19 reflecting the same factors that adversely affected EBITDA, combined with the higher investments in the period.

Considering the last 12 months, Adjusted cash EBIT totaled R\$568.1 million (adjusted EBIT margin of 16.9%), a decrease of 37.5% compared to the same prior period, for the same reasons that affected the quarter.

HEDGE

The tables below summarize our sugar and U.S. dollar hedge positions as of June 28, 2019:

Sugar

	Volume Hedged (tons)	Avg. Price (US\$ c/p)	Avg. Price (R\$/Ton)
Sugar			
2019/2020 crop year	555,118	13.65	1,186.5
2020/2021 crop year	32,615	14.44	1,269.2

On June 28, 2019, sugar prices for the 19/20 crop year were hedged for 555.1 thousand tons at 13.65 ¢/lb, **which represents the hedging of approximately 78% of own cane** (considering the lower end of the range for sugar production, as per the Material Fact on Guidance for the crop year). Our sugar prices for the 20/21 crop year were hedged for 32.6 thousand tons at an average price of US\$14.44 ¢/lb.

U.S. Dollar

On June 28, 2019, the Company held open positions through Non-Deliverable Forwards (NDFs) and derivative instruments, which are used to hedge its exports, for the 19/20 and 20/21 crop years, as follows:

	TOTAL		SUGAR		ETHANOL	
Dollar	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)
2019/2020 crop year	204,209	3.94	143,457	3.96	60,752	3.89
2020/2021 crop year	10,008	3.99	10,008	3.99	-	-

The volume of NDFs in U.S. dollar on said date represented approximately 77% of own cane hedged for the 19/20 crop year (considering the lower end of the range for sugar production, in accordance with the Material Fact on guidance for the crop year).

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 June 2019, we recorded an increase in shareholders' equity of R\$36.1 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 1Q20, a total of US\$0.8 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\$3.9/US\$, we made an adjustment of R\$0.4 million in net revenue and EBITDA to provide a better understanding of the Company's operating cash generation.

NET FINANCIAL RESULT

FINANCIAL RESULTS	1Q20	1Q19	Chg.%
R\$ '000			
Financial Revenues	37,502	27,139	38.2%
Financial Expenses	(82,514)	(78,571)	5.0%
Financial Revenues/Expenses	(45,012)	(51,433)	-12.5%
Exchange Variation / Derivative / Others	(6,313)	12,857	n.m.
Non-cash effect from IFRS16 adoption - APV	(12,191)	-	n.m.
Net Financial Result¹	(63,516)	(38,576)	64.7%
Debt Hedge	(442)	(10,305)	-95.7%
Financial Result	(63,958)	(48,881)	30.8%

1- Net Financial Result includes the IFRS 16 impacts - Agrarian Contracts

COPERSUCAR

Obligations

On June 28, 2019, São Martinho recognized on its Balance Sheet debt of R\$207.9 million with Copersucar. 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 also is a plaintiff in lawsuits claiming the reimbursement/overpayment of various taxes or indemnifications. The Company, as a former cooperative member, is entitled to the proportionate transfer of any credits and will inform the market when such rights become liquidated and certain.

Copersucar's Financial Statements as of March 31, 2019 state that it has calculated and transferred to Cooperative Members the first installment (R\$906 million) of the registered warrant (precatory) issued in June 2017, in the aggregate amount of R\$5.6 billion (Company's share R\$730.5 million), under the court ruling that ordered the federal government to pay damages arising from the lagged setting of sugar and ethanol sales prices in the 1980s. Upon transferring the funds, Copersucar withheld a portion for litigation seeking damages and for payment of PIS and COFINS taxes, while undertaking to transfer them in the event of a successful ruling.

The lawsuit also claims the payment of a complementary balance of R\$12.8 billion (Company's share R\$1.7 billion), with the federal government claiming an excess of R\$2.2 billion (Company's share R\$286.3 million). In this context, in June 2018, a complementary registered warrant was issued in the amount of R\$10.6 billion (Company's share R\$1.4 billion).

On April 29, 2019, the second installment of the first registered warrant and the first installment of the complementary registered warrant were deposited into court by the federal government. The release of these funds is pending court procedures and the balance of the registered warrants already issued is following the procedure for registered warrants issued by courts.

The Company, in coordination with Copersucar's actions, also filed a lawsuit involving IRPJ/CSLL/PIS/COFINS taxes with a judicial deposit for suspending the enforceability of these taxes. Furthermore, it transferred R\$3,313 thousand to Luiz Ometto Participações S.A. (“LOP”), in accordance with the Agreement for Purchase and Sale of Shares in Santa Cruz S.A. Açúcar e Álcool (“USC”). After the transfer and withholding of court expenses and the taxes in litigation, the balance of R\$106,499 thousand was recorded under “other expenses (income), net”. The remainder of this credit continues to be classified by the Company's Management as probable, but not under its control, which is why it remains unrecorded.

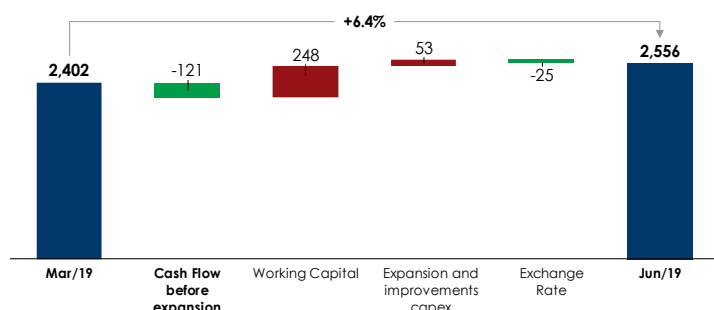
DEBT

INDEBTEDNESS	Jun/19	Mar/19	Chg.%
R\$ '000			
Agribusiness Certificate of Receivables (CRA)	2,229,604	1,794,696	24.2%
BNDES / FINAME	520,550	542,092	-4.0%
Rural Credit	383,817	393,583	-2.5%
Working Capital	161,985	264,793	-38.8%
PESA	10,461	16,451	-36.4%
PPE (Export prepayment)	1,060,455	1,084,247	-2.2%
International Finance Corporation (IFC)	346,788	356,738	-2.8%
Obligations from Acquisitions - LOP	38,586	38,605	0.0%
Gross Debt	4,752,246	4,491,205	5.8%
Cash and Cash Equivalents	2,195,865	2,089,213	5.1%
Net Debt	2,556,381	2,401,992	6.4%
Net Debt / LTM EBITDA - R\$	1.61 x	1.46 x	10.0%
Net Debt / LTM EBITDA - USD ¹	1.62 x	1.32 x	22.8%
LTM Adjusted EBITDA	1,591,527	1,644,534	-3.2%

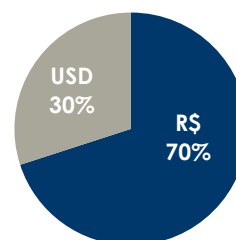
¹ - Net Debt PTAX: EBITDA Average LTM daily PTAX:
 March/19: R\$ 3.90 March/19: R\$ 3.78
 June/19: R\$ 3.83 June/19: R\$ 3.86

In June 2019, the Company's net debt stood at R\$2.6 billion, up 6.4% from the previous crop year. The increase in net debt is mainly due to the higher working capital used in the period. The following charts presents more details on our debt as of June 2019:

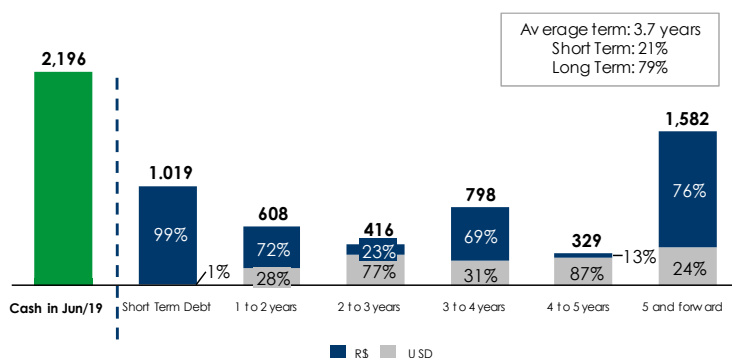
Change in Net Debt
R\$ million



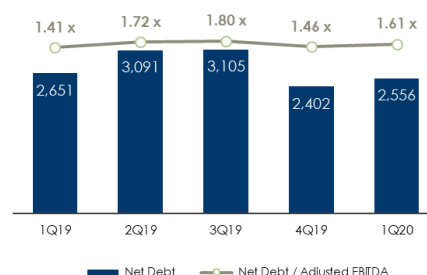
Currency - Gross



Debt Amortization Schedule
R\$ million



Net Debt / EBITDA LTM Evolution
R\$ million



CAPEX

(Maintenance)	1Q20	1Q19	Chg.%
R\$ '000			
Sugarcane Planting - Renovation	57,822	56,779	1.8%
Off-Season Maintenance (Industrial/Agricultural)	6,302	1,538	309.7%
Crop Treatment	117,057	106,142	10.3%
Total	181,181	164,459	10.2%
(Operational Improvements)			
Equipment/Replacements	24,511	14,505	69.0%
Total	24,511	14,505	69.0%
(Upgrading/Expansion)			
Sugarcane Planting - Expansion / Biological Assets	5,811	3,563	63.1%
Projects (Industrial/Agricultural)	21,679	23,457	-7.6%
Total	27,489	27,020	1.7%
GRAND TOTAL	233,181	205,984	13.2%

The Company's maintenance capex amounted to R\$181.2 million in 1Q20, increasing 10.2% from the same period of the previous crop year. The increase reflects: (i) the effects from the higher capex for maintenance during the inter-crop period, reflecting the later start (by a few days) of the crop year in relation to the previous crop year; and (ii) the impact on the crop treatments line, which is explained by, in addition to inflation, the higher prices for imported inputs.

Operational improvement capex (investments in replacing agricultural and industrial equipment to increase yields) amounted to R\$24.5 million in 1Q20, up 69.0% from the same period last crop year. The increase mainly reflects the time effect of investments related to the replacement of a part of the agricultural fleet at units, expected for 4Q19.

Expansion capex amounted to R\$27.5 million in 1Q20, in line with the same period last crop year.

CASH NET INCOME

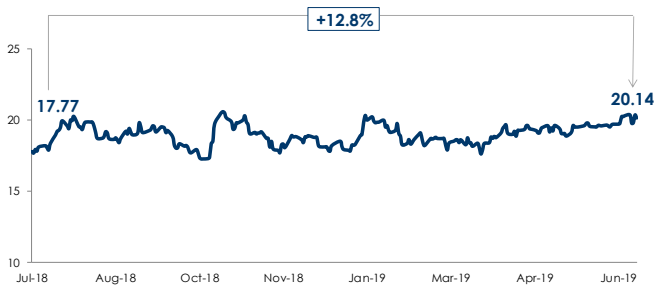
São Martinho's cash net income in 1Q20 amounted to R\$66.5 million, decreasing 57.8% from 1Q19. The decrease in the quarter is mainly due to: (i) the lower adjusted EBITDA in the period; and (ii) the effect of R\$28 million related to the recognition of income and social contribution tax credits on Outorgado's benefit between 2015 and 2018, which, under Complementary Law 160/2017, no longer is taxed.

Cash Income	1Q20	1Q19	Chg. (%)
R\$ '000			
Net Income	91,463	103,959	-12.0%
Non-cash effect from IFRS16 adoption on Net Income	4,897	-	n.m.
Income tax	(20,120)	49,866	n.m.
Income Tax paid	(879)	(872)	0.8%
Biological Asset	(9,274)	(5,431)	70.8%
Maturity of Hedge/Anticipation of Debt Payment Effect	442	10,305	-95.7%
Cash Income	66,529	157,827	-57.8%
Total Shares ex-treasury (in '000)	350,803	350,803	0.0%
Earnings per share	0.19	0.45	-57.8%

CAPITAL MARKETS

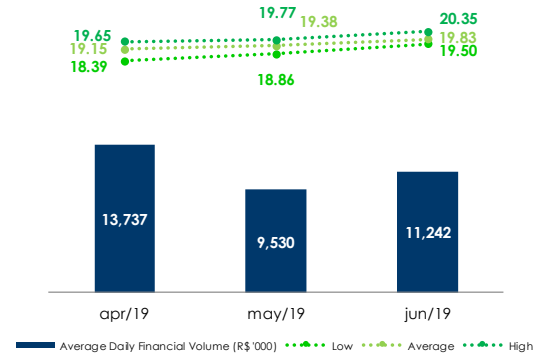
SMTO3 Performance – 12 months

In R\$



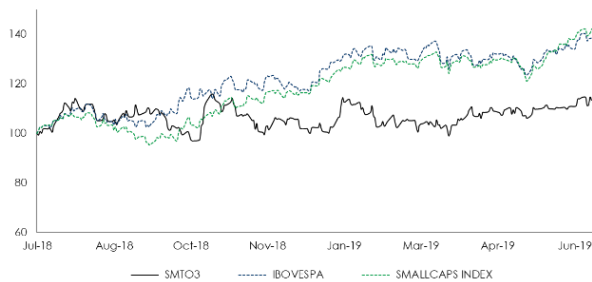
Price and Volume

In R\$



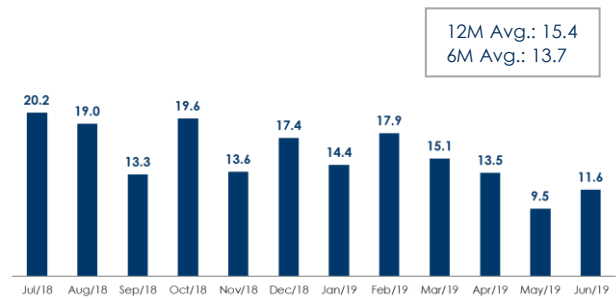
SMTO3 Performance vs. Stock Indexes

Base 100



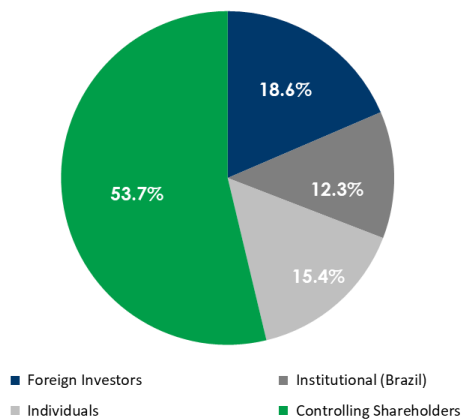
Average Daily Trading Volume

R\$ million

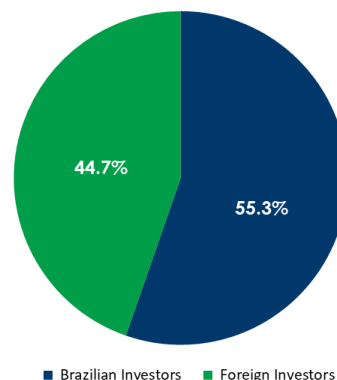


Ownership Structure

Base: June 28, 2019



Free-Float Composition



INVESTOR RELATIONS TEAM

Felipe Vicchiato – CFO and IRO

Aline Reigada – IR Manager

Luiza Chaves – IR Consultant

Telephone: +55 11 2105-4100

E-mail: ri@saomartinho.com.br

Website: www.saomartinho.com.br/ir

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 'Adoption of IFRS 16/CPC 06 – Leasing Operations' section on page 3 of this earnings release.

INCOME STATEMENT

SÃO MARTINHO S.A. - CONSOLIDATED	1Q20	1Q19	Chg. (%)
R\$ '000			
Gross Revenue	825,987	831,972	-0.7%
Deductions from Gross Revenue	(74,258)	(74,788)	-0.7%
Net Revenue	751,729	757,184	-0.7%
Cost of Goods Sold (COGS)	(553,031)	(500,153)	10.6%
Gross Profit	198,698	257,031	-22.7%
Gross Margin (%)	26.4%	33.9%	-7.5 p.p
 Operating Expenses	 (66,297)	 (64,630)	 2.6%
Selling Expenses	(25,472)	(23,830)	6.9%
General and Administrative Expenses	(51,931)	(44,202)	17.5%
Equity Income	408	(849)	n.m.
Other Operating Income (Expenses), Net	10,698	4,251	151.7%
 Operating Profit, Before Financial Effects	 132,401	 192,401	 -31.2%
 Financial Result, Net	 (63,516)	 (38,576)	 64.7%
Financial Income	47,363	27,139	74.5%
Financial Expenses	(94,704)	(78,571)	20.5%
Monetary and Exchange Variations - Net	(16,017)	28,752	n.m.
Derivative gains (losses)	(158)	(15,896)	-99.0%
 Income (Loss) Before Income and Social Contribution Taxes	 68,885	 153,825	 -55.2%
Income Tax and Social Contribution - Current	25,213	13,299	89.6%
Income Tax and Social Contribution - Deferred	(2,635)	(63,165)	-95.8%
 Net Income	 91,463	 103,959	 -12.0%
Net Margin (%)	12.2%	13.7%	-1.6 p.p

BALANCE SHEET (ASSETS)

SÃO MARTINHO S.A. CONSOLIDATED - ASSETS		
R\$ '000		
ASSETS	Jun/19	Mar/19
SHORT-TERM ASSETS		
Cash and Cash Equivalents	76,415	197,607
Marketable Securities	2,065,201	1,838,261
Trade Receivables	171,093	163,412
Derivative Financial Instruments	53,713	53,967
Inventories and advance to suppliers	650,933	232,322
Biological Assets	654,035	657,057
Taxes Recoverable	35,322	20,124
Income Tax and Social Contribution	89,934	79,759
Dividends Receivable	294	-
Other Assets	22,329	10,191
TOTAL SHORT-TERM ASSETS	3,819,269	3,252,700
LONG-TERM ASSETS		
Long-term Receivables		
Marketable Securities	54,249	53,345
Inventories and advance to suppliers	155,203	131,881
Derivative Financial Instruments	48	229
Trade Receivables	21,939	22,488
Receivables from Copersucar	10,017	10,017
Taxes Recoverable	91,652	79,790
Judicial Deposits	87,946	27,210
Other Assets	14,366	14,366
	435,420	339,326
Investments	33,651	33,537
Property, plant and equipment	5,516,418	5,644,660
Intangible Assets	473,059	478,499
Right-of-use	2,111,941	-
TOTAL LONG-TERM ASSETS	8,570,489	6,496,022
TOTAL ASSETS	12,389,758	9,748,722

BALANCE SHEET (LIABILITIES)

SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES		
R\$ '000		
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Jun/19</u>	<u>Mar/19</u>
SHORT-TERM LIABILITIES		
Borrowings	1,007,469	754,999
Lease agreements	55,356	-
Land partnership payable	217,703	-
Derivative Financial Instruments	17,680	37,369
Trade Payables	261,067	152,713
Payables to Copersucar	9,094	9,094
Salaries and Social Contributions	180,911	134,372
Taxes Payable	18,967	40,833
Income Tax and Social Contribution	5,918	4,178
Dividends Payable	81,077	81,077
Advances from Customers	6,069	4,295
Aquisition of Investment	11,696	11,715
Other Liabilities	18,671	27,020
TOTAL SHORT-TERM LIABILITIES	1,891,678	1,257,665
LONG-TERM LIABILITIES		
Borrowings	3,706,191	3,697,601
Lease agreements	433,111	-
Land partnership payable	1,411,668	-
Derivative Financial Instruments	20,400	13,520
Payables to Copersucar	198,795	201,498
Taxes to Collect	2,885	2,998
Deferred Income Tax and Social Contribution	1,008,531	988,760
Provision for Contingencies	106,111	103,817
Aquisition of Investment	26,890	26,890
Taxes with suspended chargeability	58,313	58,313
Other Liabilities	6,650	6,650
TOTAL LONG-TERM LIABILITIES	6,979,545	5,100,047
SHAREHOLDERS' EQUITY		
Share Capital	1,696,652	1,696,652
Capital Reserve	9,418	9,418
Treasury Shares	(56,868)	(234,100)
Adjustments to Book Value	1,048,162	1,016,355
Profit Reserve	748,168	902,685
Retained Earnings	73,003	-
TOTAL SHAREHOLDERS' EQUITY	3,518,535	3,391,010
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12,389,758	9,748,722

CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	1Q20	1Q19
R\$ '000		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income in the period	91,463	103,959
Adjustments		
Depreciation and amortization	149,244	70,894
Harvested biological assets (depreciation)	129,409	128,695
Variation in fair value of biological assets	(9,274)	(5,431)
Amortization of energy contracts	2,763	3,677
Equity Income	(408)	849
Gain (loss) on investment and PPE disposed of	279	1,908
Interest, monetary and foreign exchange variations, net	55,360	41,182
Derivatives Financial Instruments	1,210	(1,547)
Constitution of provision for contingencies, net	4,350	2,149
Income tax and social contribution	(22,578)	49,866
Adjustments to present value and others	2,013	5,925
	403,831	402,126
Changes in asset and liabilities		
Trade receivables	(13,054)	(30,726)
Inventories	(250,626)	(255,446)
Taxes recoverable	(26,371)	2,603
Derivatives Financial Instruments	11,380	12,981
Other assets	(72,249)	(473)
Trade payables	110,503	86,735
Salaries and social charges	46,539	36,814
Taxes payable	5,836	24,359
Obligations with Copersucar	(3,676)	(3,302)
Provision for contingencies - settlements	(4,913)	(4,171)
Other liabilities	(3,124)	(33,094)
	204,076	238,406
Cash provided by operations	204,076	238,406
Interest paid	(62,427)	(61,051)
Income tax and social contribution paid	(879)	(872)
Net cash provided by operating activities	140,770	176,483
CASH FLOW FROM INVESTING ACTIVITIES		
Financial resources used in investments	(608)	(781)
Additions to property and intangible assets	(57,059)	(45,409)
Additions to biological assets (planting and crop treatment)	(180,393)	(166,484)
Marketable Securities	(197,585)	88,020
Proceeds from sale of property, plant and equipment	3,191	1,569
Advance for future capital increase	-	(333)
Net cash used in investing activities	(432,454)	(123,418)
CASH FLOW FROM FINANCING ACTIVITIES		
Amortization of Lease	(105,002)	-
New borrowing - third parties	416,087	981,355
Repayment of borrowing - third parties	(140,593)	(861,477)
Net cash provided by financing activities	170,492	119,878
Increase (decrease) in cash and cash equivalents	(121,192)	172,943
Cash and cash equivalents at the beginning of the period	197,607	140,865
Cash and cash equivalents at the end of the period	76,415	313,808