Company Presentation

February 2020

Disclaimer

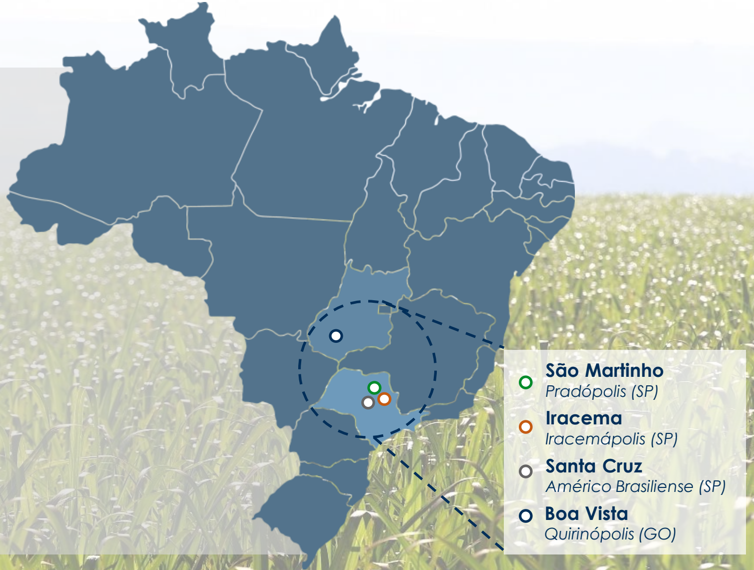
- This presentation contains forward-looking statements relating to the business outlook, operating and financial projections, and the growth prospects of São Martinho S.A. These statements merely represent projections and, as such, are based exclusively on management's expectations about the future of the business.

- Forward-looking statements are no guarantee of performance. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

- Investors should understand that general economic conditions, industry conditions, climate and other operating factors could also affect the future results and could cause results to differ materially from those expressed in such forward-looking statements.

São Martinho at a Glance

Assets under management	**4 mills**
Employees	**12,000**
Production[1]	
Sugarcane Crushing	24.5 mn tons
Sugar	1.6 mn tons
Ethanol	1.3 bn liters
Cogen	1 GWh
% Own Sugarcane/Third Parties	**70%/30%**
Own Land	**55,000 ha**



300,000 ha
Agricultural Area

35% / 65% mix
Between sugar and ethanol

~ 100% mechanized

1 - Productive potential with maximum production of sugar or ethanol; 2 - According to Deloitte's 2014 report

Corporate Governance

Controlling Shareholders 53.7%

Board / Directors / Treasury 5.6%

Free Float 40.7%

São Martinho S.A.

Land Company
55 thousand hectares

São Paulo Mills
Crushing Capacity 19.5 MM tons

Boa Vista Mill Goiás
Crushing Capacity 5 MM tons

General Meeting

Board of Directors*

- Human Resources Management Committee
- Finance, Audit and Risk Management Committee
- Technology Innovations Committee

Fiscal Council

***Board of Directors**

7 members

✓ 5 members elected by the Controlling Shareholders

✓ 2 independent members:

- **Murilo César L. dos Santos Passos**
  Member of the Board of Directors of Suzano Holding S.A.

- **João Carlos Costa Brega**
  President of Whirlpool Latin America and Executive Vice President of Whirlpool Corporation

Key Takeaways

2019/20 Season

- ✓ **Sugar Prices Exposure:** ~100% hedged for 19/20 Harvest at ~BRL 56 cents/pound (+8% Y/Y)
- ✓ **Ethanol:** Strong demand and increased gasoline parity have driven higher ethanol prices
- ✓ **Legal Claims:** ~R$ 230 million received in 3Q20 (total NPV of R$ 1.0 billion)
- ✓ **Operational Leverage**: Sugarcane crushing grew 11% on better productivity

19/20 Harvest Production Guidance

OPERATING DATA	19/20 Max Ethanol Guidance	19/20 Effective	Chg. (%)	Datagro estimates for CS 19/20 Harvest[1]
Sugarcane crushed ('000 tons)	**22,000**	**22,640**	**2.9%**	**594.920 (+3.8% YoY)**
Average TRS (kg/ton)	139.0	139.4	0.3%	138.2 (+0.3% YoY)
Production				
Sugar ('000 tons)	1,055	1,106	4.8%	26.8 (+1.1% YoY)
Ethanol ('000 m^3)	1,145	1,172	2.4%	33.3 (+7.6% YoY)
Cogeneration ('000 MWh)[1]	910	910	0.0%	n.a.
Mix Sugar - Ethanol	36% - 64%	37% - 63%	-	34% - 66%
TRS Produced ('000 tons)	3,060	3,155	3.1%	82.240 (+4.1% YoY)

1 - Estimated volume as cogen will continue until March 2020

1 - Estimated volume as cogen will continue until March 2020; 2- Source: Datagro on Jan 23th

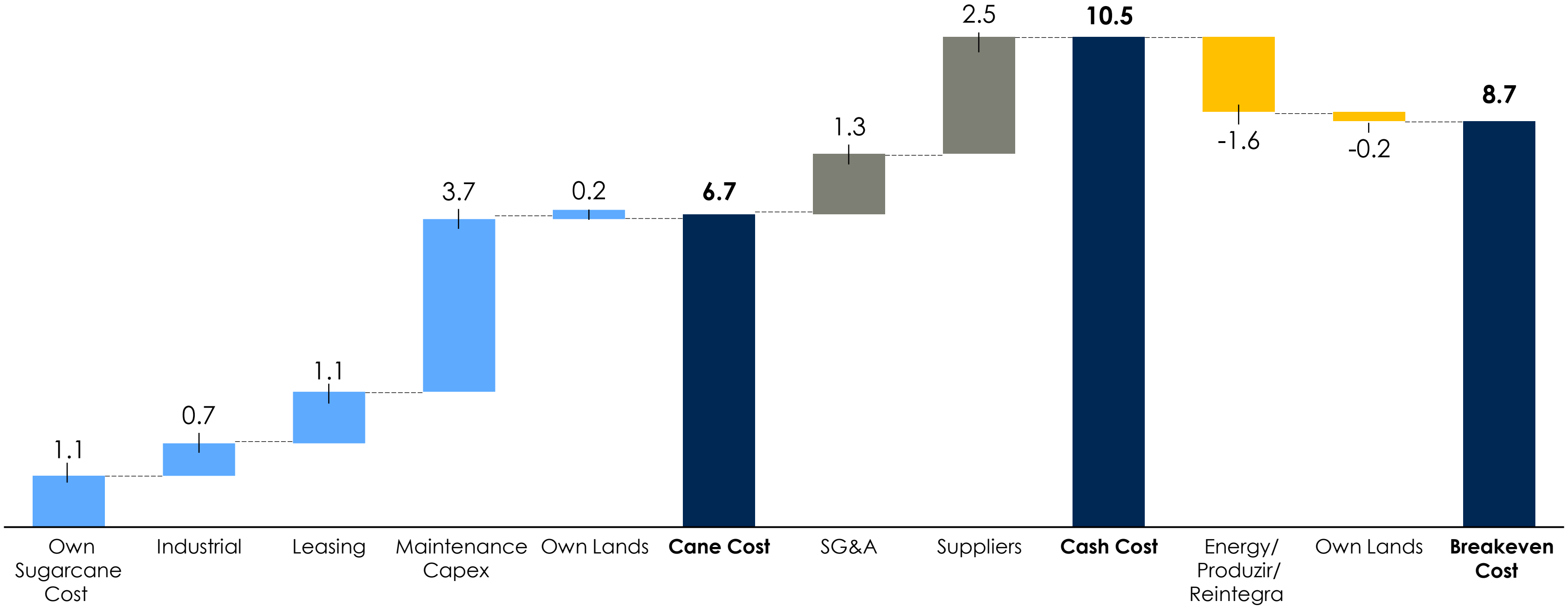
19/20 Season: Operational Leverage + Higher Prices will support EBIT growth…

Season	15/16		16/17		17/18		18/19		19/20e	CAGR
Crushing (mn ton)	***20.0***	-4%	***19.3***	+15%	***22.2***	-7%	***20.5***	+11%	***22.6***	**3%**
Production mix (sugar-ethanol)	*50%-50%*		*54%-46%*		*47%-53%*		*36%-64%*		*37%-63%*	
EBIT (R$ mn)	***569*** (Margin of 20.1%)	+24%	***707*** (Margin of 22.6%)	+49%	***1,054*** (Margin of 29.1%)	-43%	***600*** (Margin of 17.7%)		↑ YoY (Margin ↑ YoY)	
Average Price										
Sugar (R$/ton)	**1,201**	+9%	**1,314**	-2%	**1,290**	-15%	**1,100**	0%	**1,139**[1]	**-1%**
Ethanol (R$/m³)	**1,637**	+8%	**1,774**	-3%	**1,729**	+1%	**1,753**	+6%	**1,897**[2]	**+4%**

Average annual inflation in the period **~6%**

1 – Average of 9M20 prices + Net hedging price; 2 – Similar to 9M20 price

Cash Cost Breakdown in 9M20



* In cents per pound considering average FX in the period. Data do not consider IFRS 16 impacts

Potential Receivables (Copersucar Legal Claims)

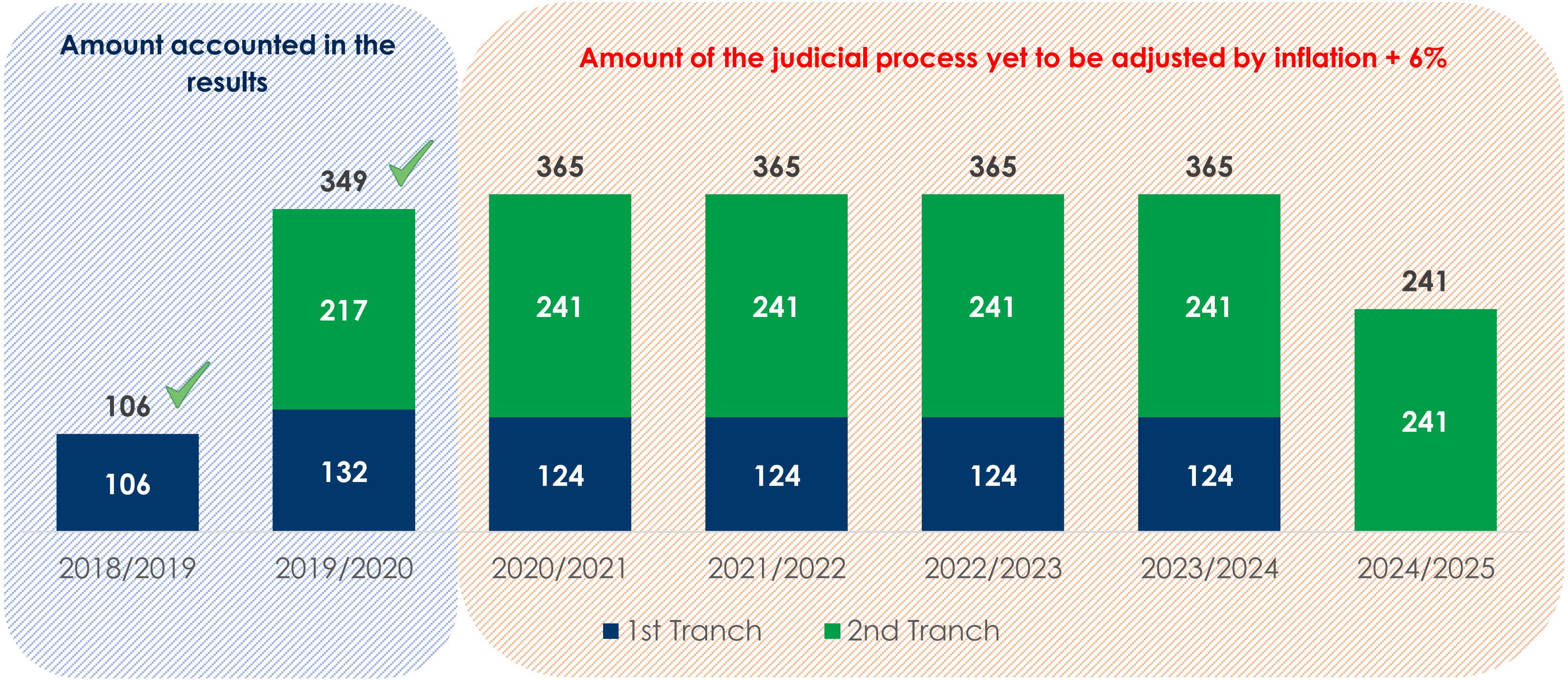
- ✓ **Context:**

Potential indemnification as a consequence of sugar price gap below average cost of production calculated by the Fundação Getulio Vargas (FGV) between march/85 and october/89

- ✓ **Total amount of potential receivables:** <u>R$ 18.7 billion</u>
- ✓ **SMTOs stake:** approx. 13% of the total amount
- ✓ **Receivables schedule:** 15% in the first year / other 85% within the next 5 years in equal installments (adjusted by inflation + 6%)

Uncontroversial amount	**R$ 5.6 billion**	✓ **Payment started in 2018/2019 harvest**
	R$ 10.9 billion	✓ **Payment started in 2019/2020 harvest**
Controversial amount	**R$ 2.2 billion**	✓ **On hold - index adjustment discussion**
Total Amount	**R$ 18.7 billion**	

Potential Receivables Cash Flow (Copersucar Legal Claims)



- **Total NPV of R$ 1.2 bn (taxes under judicial discussions)**

1 - Flow expressed in millions of reais - does not represent an official Company's Guidance

Own Land: Hidden Asset

~ 55,000 hectares of own land = R$ 3 billion[1]

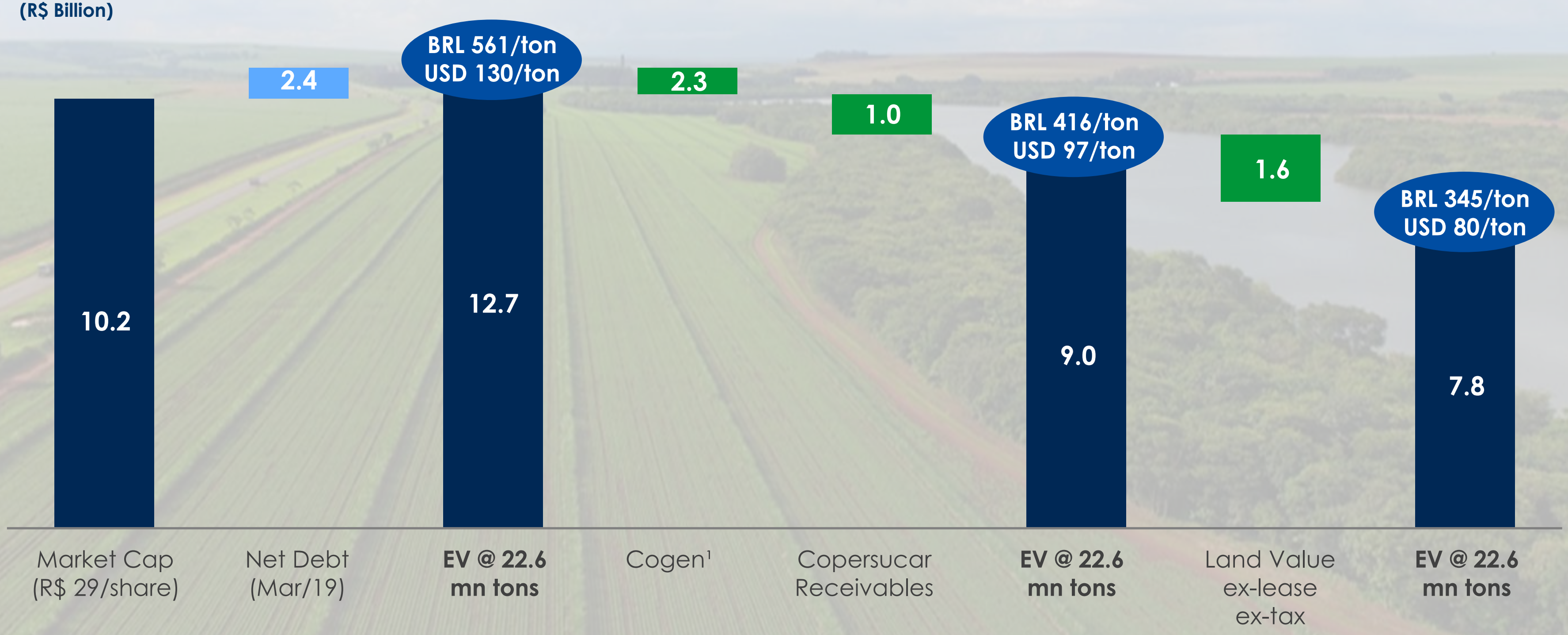
~ 2,000 hectares in urban areas	~ 53,000 hectares in rural areas
R$ 675 million	R$ 2.3 billion

5 PROJECTS IN PROGRESS: 3 RESIDENTIAL, 2 INDUSTRIAL

SALE LEASEBACK: OPPORTUNITY TO UNLOCK VALUE TO SHAREHOLDERS

1 - 2014 Deloitte Evaluation Report

Sum of the Parts Analysis



Considering FX rate of R$ 4.30/USD; 22.6 mn tons of crushing in the19/20 Harvest according to the Company's material fact published on Dec-19;
1 – Discount rate: inflation + 6% p.y.

Capital Allocation

Dividends & Buyback

✓ **Dividends (aug/19): R$ 110 million**

- Payout of 35.0% (above historical average)

✓ **Share Buyback of up to 10 million shares**

- Started on aug-19 / Deadline on dec-20
- 3.2 million shares bought back until now

Equivalent to ~100% of 18/19 Harvest Earnings

December/2019:

✓ **Interest on Capital: R$ 120 million**

✓ **New Shareholder Remuneration Policy:**

- 25% of net income for the fiscal year or 40% of cash net income, whichever is greater

2019/2020 Harvest

✓ **Projects:**

- COA: Agricultural Automation
- PSS+Meiosi
- Yeast
- Sugar and Ethanol Production

✓ **Operational Improvement:**

+ Maintenance Capex

Total: ~R$ 1.28 billion

Next Harvests

✓ **Cogeneration (A-6 Auction): R$ 320 million**

✓ **Corn Ethanol (Boa Vista Mill)[1]: R$ 350 million**

1 - Project to be approved by the Board of Directors

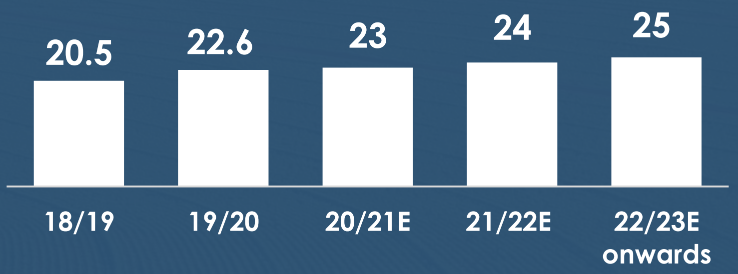
Pre-Sprouted Seedlings + Meiosi Project

IRR of 45% p.y.

- ✓ **Higher productivity on the sugarcane cycle**
- ✓ **Increased availability of sugarcane to be crushed**
- ✓ **Reduced planting cost**
- ✓ **80% of PSS+Meiosi planting area in 19/20**

Reduction of planting area combined with potential TCH increase =
Full use of installed capacity

Crushing[1]
(mn tons)



Plant sanity | **Genetic purity** | **Vigor** | **Stand**

1 - Figures shown are estimates and do not represent an official Company's Guidance. The shown numbers take into account the same rate growth for the current season combined with a potential TCH increase which depends on conditions that are not under the Company's control such as climate conditions.

PSS + Meiosi

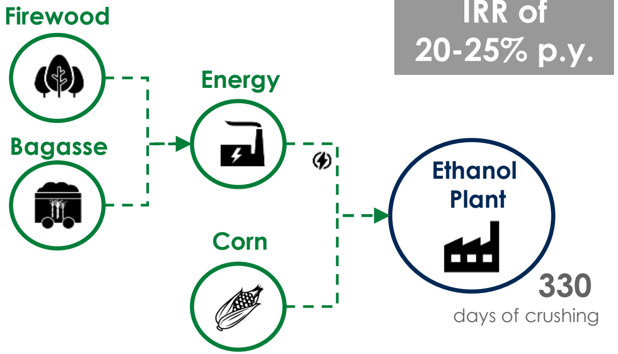
PSS Biofactory - February 2015

PSS Biofactory - September 2018

Corn Ethanol Project (Integrated with Boa Vista Mill)

Advantages

- Location: Goiás state, close to main corn production region
- Proximity to the consumer market
- Tax Benefits - Produzir
- Increased demand for ethanol in Brazil and CO
- Rapid implementation of the factory
- Ethanol incentive provided by Renovabio



IRR of 20-25% p.y.

Operational

~500 k tons/year (corn)

75 k MWh/year

	19/20	20/21	21/22	22/23 onwards
Ethanol m³/year	-	-	150 k	200 k
DDGS tons/year	-	-	110 k	140 k
Oil tons/year	-	-	6 k	8 k

Total Capex R$ 350 mn

Project to be approved by the Board of Directors; Data according to Notice to the Market released on 18th Jun 2019

COA Project: Agricultural Automation

- ✓ **Remote diagnostics**
- ✓ **Remote maintenance of machinery and equipment**
- ✓ **Better equipment efficiency**
- ✓ **Corrective, preventive and PREDITIVE maintenance**
- ✓ **Higher availability and RELIABILITY of equipment**

19/20: Operating network at São Martinho mill

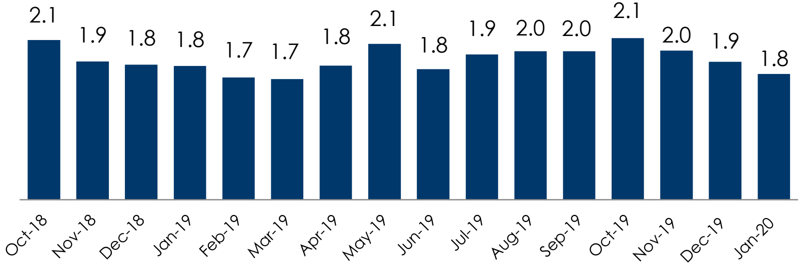
20/21: Technology roll out to other mills

+ EBIT per harvest	20/21	21/22	22/23	23/24 onwards:
	R$ 20 million	R$ 30 million	R$ 50 million	Recurring gains of R$ 2 to R$ 3/ton = ~R$ 75 million

Ethanol & Sugar Market

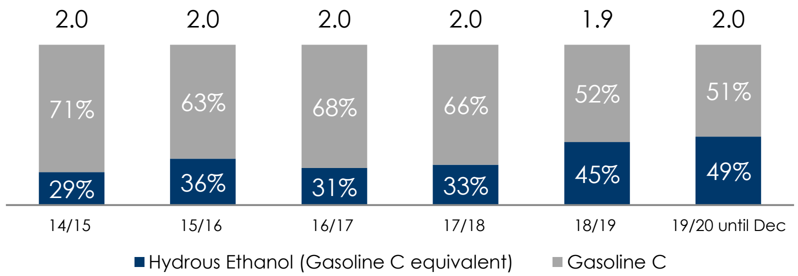
Ethanol Market fundamentals consistently improving

Solid Ethanol Consumption



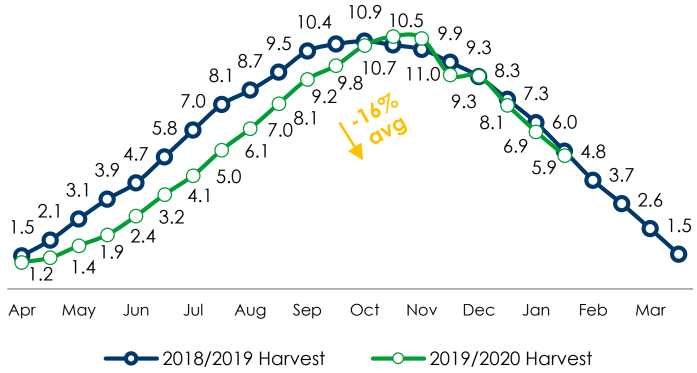
Hydrous Ethanol gaining share in the Otto Cycle demand

(Million of oil equivalent barrel)



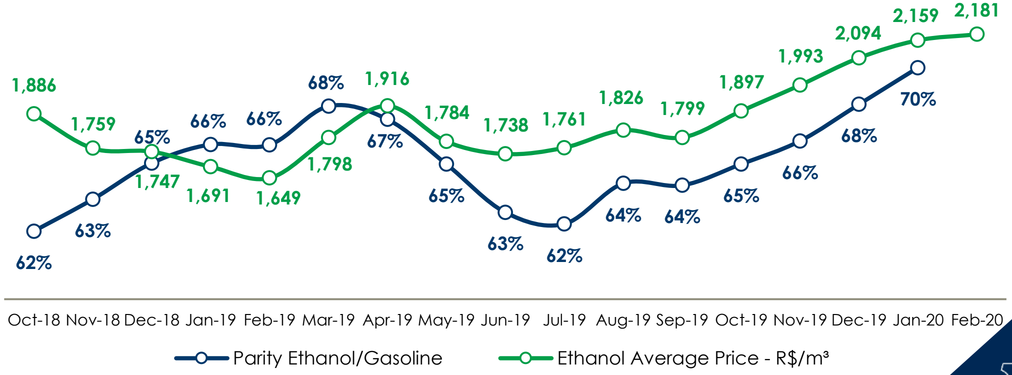
Ethanol Inventories in the Center-South region of Brazil

(million m³)



Higher ethanol prices in the intercrop period

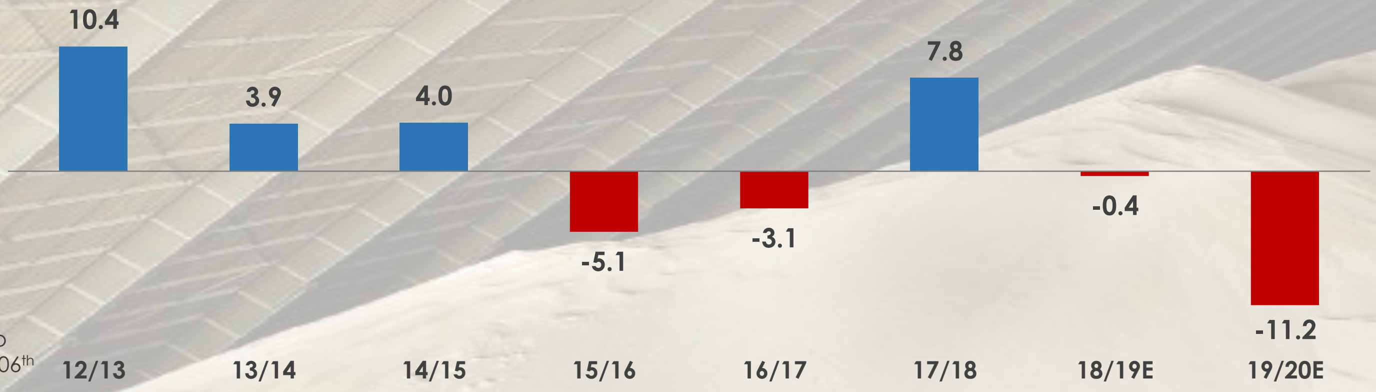
(SP/MG/Goiás)



Source: CEPEA/Esalq, ANP, MAPA and UNICA

Global Sugar Market

Global Supply / Demand
(Million tons)



Source: Datagro on Feb 06th

The sugar deficit, due to climate conditions, notably in India and Thailand, should be higher than expected by the market, leading to an important price recovery

Hedge Position
(in dec/19)

SUGAR	Volume Hedged (ton)	Average Price (US$ c/p)	Average Price[1] (R$/ton)	
2019/2020 Harvest	373,794	13.75	~1,232	~100% of own sugarcane hedged
2020/2021 Harvest	512,852	13.65	~1,263	~60% of own sugarcane hedged[2]

Source: São Martinho

1- For the sugar volume hedged but not denominated in U.S. dollar, the spot exchange rate of R$4.15/US$ was adopted; 2 - Considering 19/20 Harvest production

Appendix

Operational Leverage

	18/19 Harvest	Crushing increase scenario: Own Sugarcane
Crushing *(million tons)*	20.5	~24.0
Yield *(ton/ha)*	74.2	87.4
Operational Cash Flow[1] *(R$ million)*	631.6	1,127.5
ROIC	**8.9%**	**16.0%**
ROIC Increase		**7.0 p.p.**

Assumptions[2]

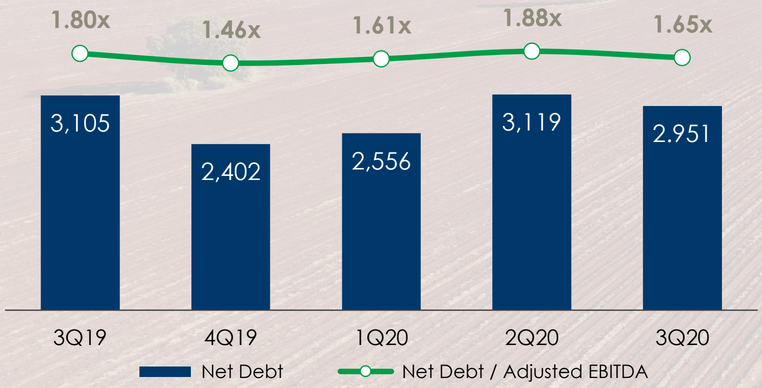
Net Revenues (R$/ton)	R$ 148/ton
	-
Variable Cost (R$/ton)	R$ 8.5/ton
Cash Flow per additional ton (R$/ton)	R$ 140/ton
	x
Additional crushing	3.5 mn ton

= ~ R$ 500 mn cash flow

[1] With land; 2 – Consider figures from sugar and ethanol results as per released in the 2018/19 Harvest documents

Indebtedness

Net Debt
(R$ million)



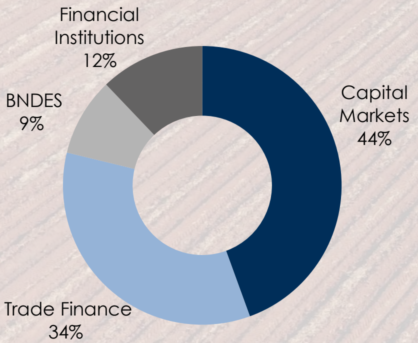
S&P Global

BBB-
Investment Grade
Global Scale

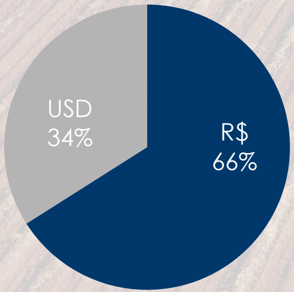
BrAAA
National Scale

Gross Debt - R$ 4,343 million

Debt Profile

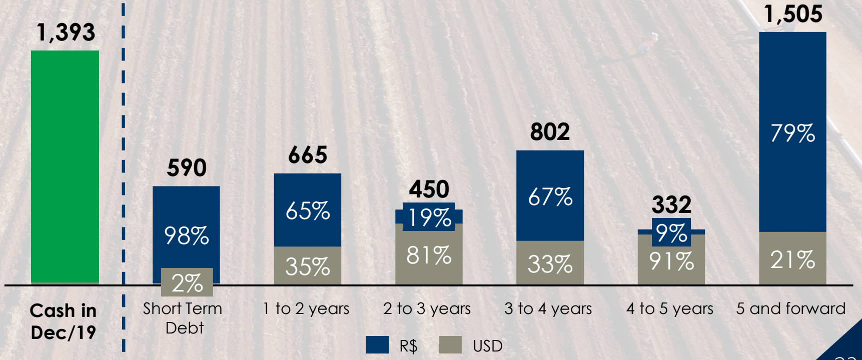


Currency - Gross



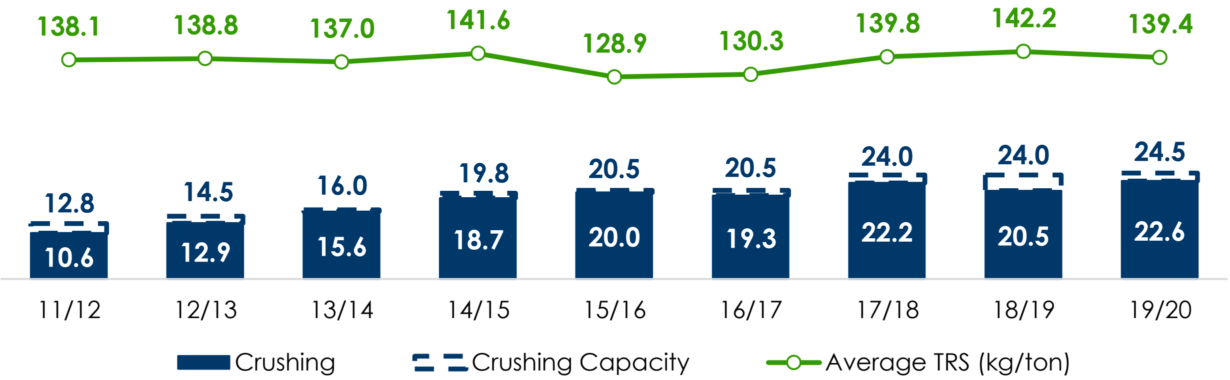
Debt Schedule
(R$ million)

Average Term: 4.0 years
Short term: 14%
Long Term: 86%



Operational Performance: M&A + Brownfield Investments...

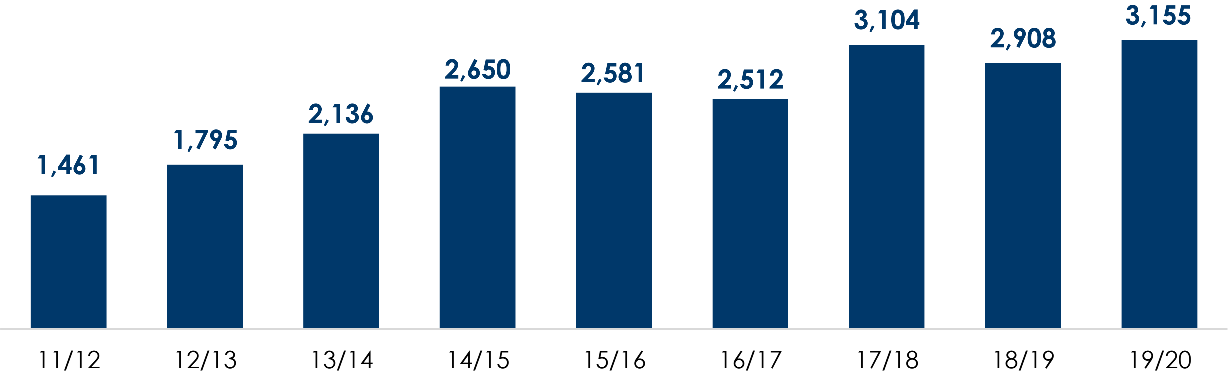
Crushing
(million tons)



CAGR

+10.0%

Total TRS
(Kg)



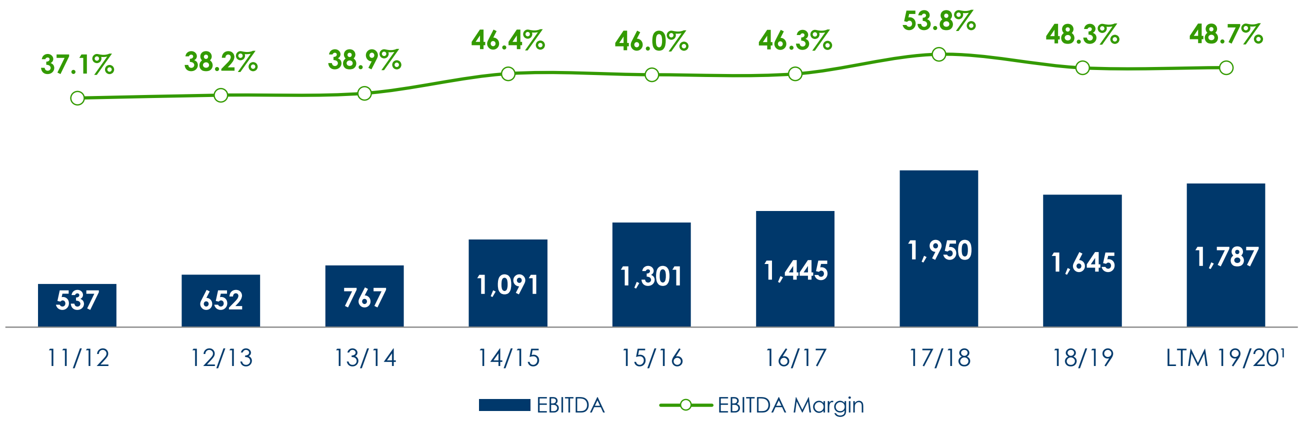
CAGR

+10.1%

1 – Considering the Material Fact related to the harvest guidance released on June 24th, 2019

...Boosted Operational Cash Generation

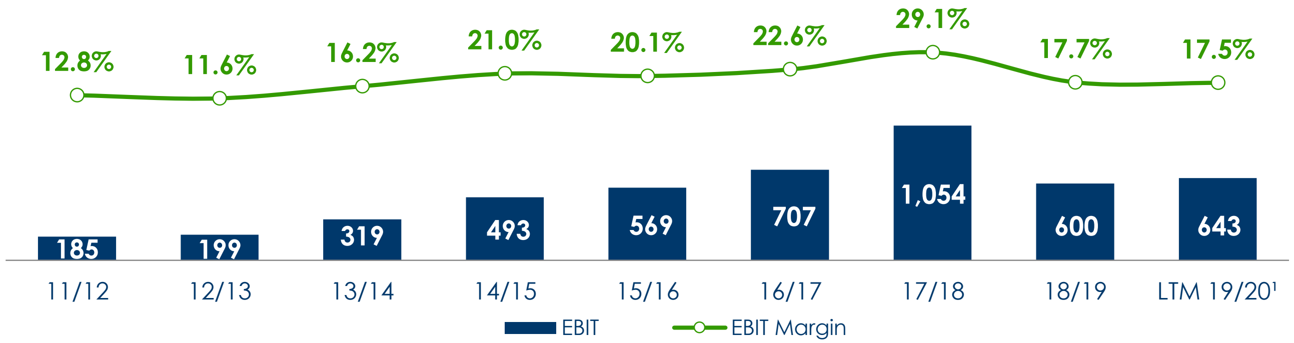
Adjusted EBITDA and EBITDA Margin



CAGR

+16.2%

Adjusted EBIT and EBIT Margin



CAGR

+16.9%

1 - LTM 19/20 data do not consider the IFRS 16 impacts

Value Creation Strategy

Operational Excellence

- ✓ Lands in the best locations of Brazil in terms of soil quality
- ✓ Sugarcane longevity of more than 8 years on average
- ✓ Harvester productivity, throughout the cycle, 50% higher than its peers

People

- ✓ Meritocracy culture
- ✓ Sense of ownership

2018 melhores empresas você s/a para trabalhar

São Martinho

Technology and Innovation

- ✓ Digital transformation strategy
- ✓ Agricultural automation
- ✓ PSS / MEIOSI

Capital Allocation

- ✓ M&A strategy based on assets with agricultural synergies
- ✓ More than R$ 3 billion invested over the last 7 years
- ✓ Resilient cash generation
- ✓ S&P Rating: Investment grade

Logistics and Commercial

- ✓ Capacity to store roughly 80% of sugar production and 70% of ethanol production
- ✓ Outflow of sugar exports by railroad

ESG (Environmental, Social and Governance) in facts

ENVIRONMENTAL

RFS2 Renewable Fuel Standard (EPA)

LCFS Low Carbon Fuel Standard (CARB)

Kosher

ISO 17025

ISO 9000

ISO 14000

4.4 mn seedlings planted within our Viva a Natureza program

GHG Inventories Use of greenhouse gas inventories to track emissions

99% of reused waste in agricultural activities

SOCIAL

Education and social development

Sports

Diversity and inclusion initiatives

2018 melhores empresas você s/a para trabalhar — Company of the Year - Best Agribusiness Company - Best Large Company

GOVERNANCE

SMTO3 NOVO MERCADO BM&FBOVESPA

Listed in Novo Mercado, the highest level of corporate governance of B3

Legal, Compliance and Institutional Relations departments

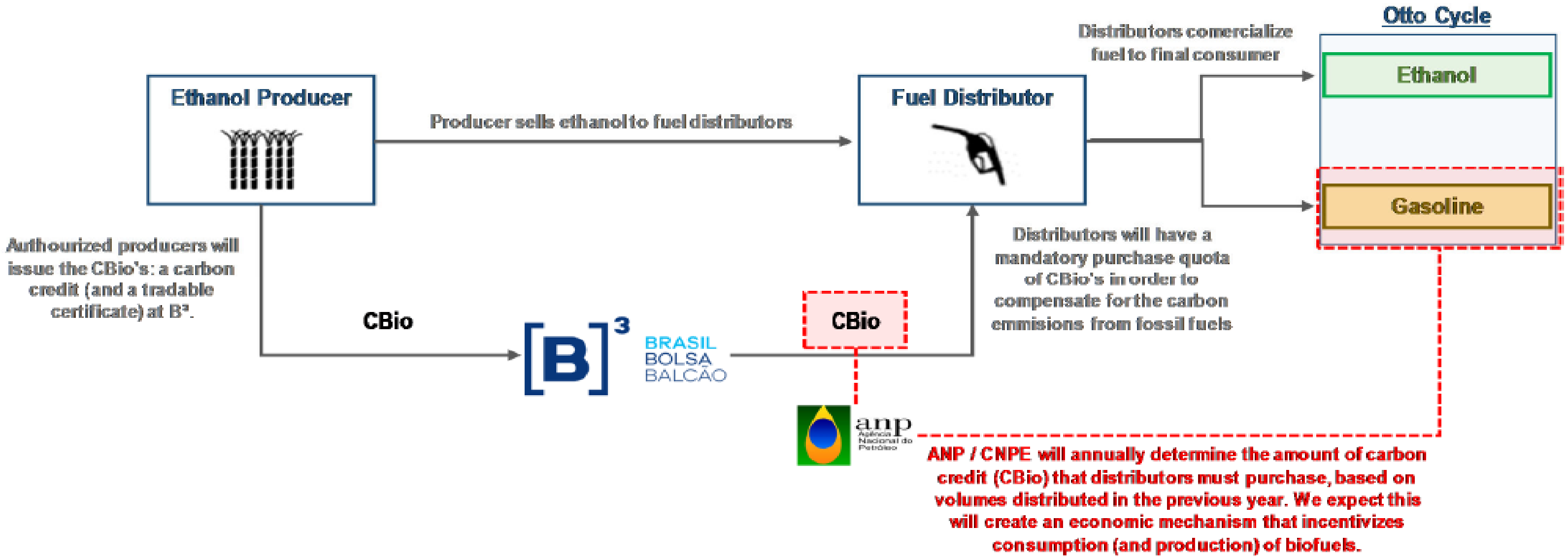
Dedicated team for internal controls

For further details, download our 2018/2019 Annual and Sustainability Report through the QR Code:

RenovaBio - Long Term Sustaintability to Ethanol

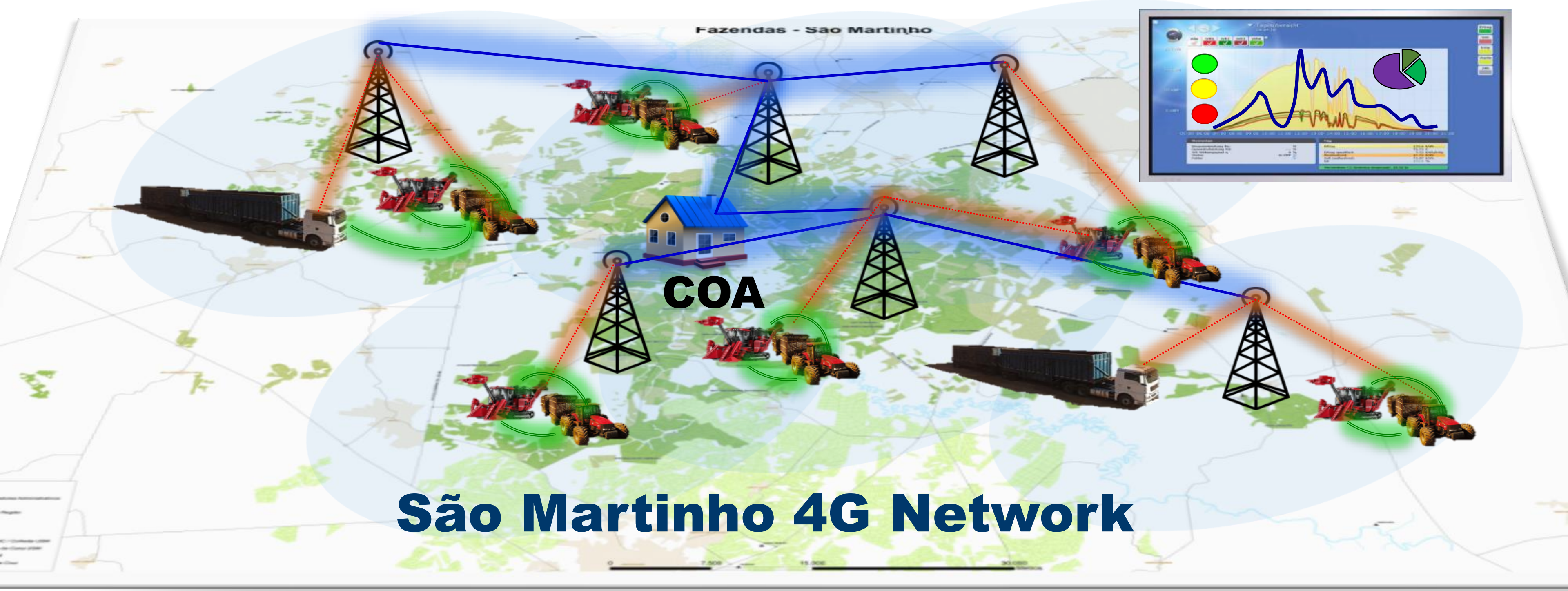
✓ Brazilian policy based on the expansion of biofuels production combined with the energy matrix decarbonization in the short, medium and long term

✓ Potential to almost double ethanol consumption from 33 billion liters to 44 billion liters within the next 10 years



PSS + Meiosi

COA Project: Agricultural Automation



COA


COA - CENTRO DE OPERAÇÕES AGRÍCOLAS
São Martinho
São Martinho


COA - CENTRO DE OPERAÇÕES AGRÍCOLAS

Contacts - Investor Relations

+55 11 2105-4100

ri@saomartinho.com.br

www.saomartinho.com.br/ir