

**International Conference Call  
São Martinho (SMT03)  
1T26 Earnings Results  
Crop 2025/2026  
August 12<sup>th</sup>, 2025**

**Operator:** Good afternoon, ladies and gentlemen, and thank you for waiting.

Welcome to São Martinho S/A conference call to discuss the results for the 1Q 25-26 crop year.

With us today are Mr. Filipe Vicchiato, CFO and Head of IR, Alessandro Soares, IR and New Business Development Manager, and the Investor Relations team of São Martinho.

The audio and the slides of this conference call are being broadcast simultaneously over the internet at [www.saomartinho.com.br/ir](http://www.saomartinho.com.br/ir). Participants will be able to choose which language they want to view the presentation in. Two tabs will appear at the top of the screen with the options. Please note that all participants will be in listen-only mode during the Company's presentation. We will then initiate the Q&A session for investors and analysts when further instructions will be provided.

Please be advised that certain information contained in this conference call may contain forward-looking statements. Such information is subject to known and unknown risks and uncertainties that may cause such expectations not to be realized or to differ materially from what was anticipated.

I would now like to turn the floor to Mr. Felipe Vicchiato, who will initiate this conference call.

**Felipe Vicchiato:**

Good afternoon, everyone, and thank you for joining us in this conference call related to the 1Q 25-26 crop year.

Here we have a list of the main topics and highlights of the quarter starting with the production of crushing and corn processing. Next, we will talk about the financial highlights and then product margins. The fourth topic is corn processing and our hedge position and the material facts. Yesterday we issue a material fact on corn and also another one on the biological asset of the Company.

In terms of production, we crushed in the 1Q 7.6% less than in the previous quarter, reaching 8.1 million tons of sugarcane. And due to lower yield and productivity in the

sugar field due to, you know, water issues from January to March, and also, TRS was 5% lower when compared to the same period of the year before, which in terms of TRS produced, volumes were 11% lower.

In terms of the position itself, with that, we produced 11% less sugar in a quarter-on-quarter comparison, even though the quarter really favored the sugar mix. But despite that, the volume was lower. When you compare that 11.3 to 10.9, you see that there was an issue with sugar, which was quite difficult. And this is across the board, in the entire industry.

When we talk about hedging, we would talk about sugarcane hedge, but you notice that more frequently in the Southeast, ethanol production was down by 10% and corn-based ethanol was up by 11.6%.

A consolidated mix until now is approximately 50-50 when you look at the sugarcane business. The quarter result showed increase in ethanol sales, especially corn-based ethanol. We almost doubled the number, 36 m<sup>3</sup>. That number went to 62 m<sup>3</sup> in a quarter-on-quarter comparison due to higher production and a little bit of inventory that we carried over from one crop season to another. That's why our net revenue was up by 12%. There was a 19.7% increase in EBITDA, and also EBIT is now at 7.1%.

EBIT of R\$ 231 million, almost 1/3 of that EBIT comes from the corn plant, given the high return of this project, and this is one of the reasons why we announced its increase yesterday. Margin was 17.8% in the period. There was an increase vis-à-vis the previous quarter. But the 1Q25 was very strong in terms of yield, but last crop year was very good, but it started to worsen throughout the quarters, especially because of the arsony that happened in August of last year, almost a year ago.

Our net income is down quarter-on-quarter despite the operating enhanced performance. If you look at accounting net income, it is a mark to mark of biologicals due to the expectation of lower productivity vis-à-vis the previous quarter. And last quarter we also accounted for interest on equity. That's why the accounting numbers were lower and so this jeopardizes the comparison. But when you look at these two items and the cash income, you see that there was some growth going from R\$ 46 million last year to R\$ 157 million.

Here we have the product highlights. One important highlight, as I mentioned, was corn-base ethanol, DDGS is also a product that was up 22% and 17% in terms of volume sold. Last year, we were still gaining market share and customers were testing the product. But today, the product is well-accepted across the board by all of our clients, and that's why pricing is better.

And in the case of sugar, the 8% drop when compared to the previous quarter is mainly attributed to the fact that last quarter's hedge was above 20 cents, and it was

the best quarter in BRL terms in our results. That's why the comparison now seems slightly worse.

Now, next slide. Now here we talk to product margins. Speaking about sugarcane, at the end, the margin was 14.4% for sugarcane, given the fact that there was lower price of products sold. And in the case of ethanol, of sugar-based ethanol, there was an improvement in average price, but cost increase was 4.7%. And this cost increase was because of Consecana transfer. And because of that, our margin in sugarcane ethanol is negative by minus 2%.

Another important factor is that when you look at this composition of cash costs for sugarcane, we run a proxy of what our total CAPEX will be, total maintenance CAPEX for the year, and then we do a split, which is proportional in terms of products sold. In the 1Q, is where the volume of operating CAPEX is low because there is no pressure of off-season, so the accounting number per se is a bit misleading, reaching about 6% margin. But then if you look at the entire cycle, the entire year, we look at our possible maintenance CAPEX. So, we have a final number of minus 2.

We started making the adjustment, and if you want to look at more details, look at the release in terms of this guidance, the guidance will give you a bit more color and you can probably have a better reading of the market.

We hope that ethanol prices after the end of the crop year should recover. Today it is very close to 63% of the parity, the number is still quite low. We know that there is also an issue of ethanol volume because it is coming into the crop, but the lower number of processed sugarcane will also impact and will improve the parity coming close to 60 or 70% by the end of the year.

Speaking about corn, EBITDA was R\$ 95 million, EBIT was R\$ 87 million. These numbers are quite robust when compared to the previous quarter. Last quarter, the plant was still ramping-up, it was not operating at its full capacity. And moreover, we also saw a lower corn cost given all of the pricing that were carried out. And today we have something close to 90% approximately. 90% of the corn volume already purchased to conclude the crop year, reaching about almost R\$ 53,00 per bag, and this should help our margin, and it will be quite similar to what we saw in this 1Q. Also, considering ethanol prices and DDG.

Next, we talk about the Company's hedge position. In June, we had hedges of about 710,000 tons of sugar, which remained in the inventory, discounting the 1Q because I already realized and sold it at an average price of 2,229, so if you compare this sugar production to that of last year, in percentage terms, the coverage rate is quite relevant, especially if you look at the screens up to October, but in March, now we are not totally sold, so there is almost nothing for the 26/27 crop year.

Today, market expectations for sugar production in the Center South region are around 41.3, 41.5 million tons of sugar. This is a number that we do not agree with

100% because if we look at the sugarcane fields, we believe that that number should be below 39 or 39, in that range, because we are already in August. Next week will be the one before last week of August, and I will only have three remaining months in the crop year. Therefore, we think that the shortfall will be more apparent in the coming quarters, especially when you look at the context because of the fires happening August of last year.

So the fields that are being harvested this month will be after the impact of last year's fire. But the market on average, is still working with that number of 41 million tons, therefore we believe that once the Center-South begins performing better and starts producing more sugar, so sugar prices should converge to numbers way above what you see on the screen. So, we haven't yet expedited sales for the 26-27 crop year.

Next, we talk about the material facts that we disclosed yesterday. So, after a year and a half of intense studies from our team, we arrived at a final Board decision for CAPEX of R\$ 1.1 billion, and this CAPEX contemplates industrial plant and also a warehouse with a capacity for 220,000 tons of corn. And this warehouse is quite important given the fact that we have a crop year and an off-season, and so, this is very important for TRS. We will have the opportunity to buy wet corn in the middle of the crop year. It's just a matter of drying the corn. And also, industrial plant adds up to almost 1 billion.

This project contemplates crushing in the 28/29 and 29/30 crop year about 36 to 35 additional tons, producing 230,000 m<sup>3</sup> of anhydrous ethanol (if we decide to do hydrous ethanol, the number should increase a bit more), and the DDGS 170,000 tons.

The plant is 100% integrated. We won't need to originate chips, and this is the equivalent to an edited cost of about R\$ 100,000 to 120,000, depending of the prices of the chips, the provision is for 120,000, and this gives good competitiveness to the plant.

So we will sell 63,000 MW/h of energy. If in the future or in years to come we make the decision to have a sugar cane plant in Goiás, we have enough energy to operate the sugar plant without needing to buy any wood chips. So the idea is to leave that option open, because if in the future we decide to produce sugar at Boa Vista, this could be possible. But this is something only for 2032 if there is a tax reform.

So this CAPEX is being funded 65% by FINEP and by BNDES. The cost is about 8 to 9%, prepaid. The idea is that we should do the swap of this funding, and the remainder is being funded in the market. We are doing that in local currency with debentures long-term, very close to CDI or sometimes even below CDI, and that's why the return of the project will be quite relevant considering today all of the assumptions, operating and pricing assumptions that we already realized in this last quarter, since we had almost 1.5 of EBITDA per liter, the return is over 30%. It's above 30%.



Obviously, for the approval of the project, we look at more conservative assumptions, like higher corn prices, energy prices, considering higher competition, that's why the approved return is a bit lower. But looking at current prices today, selling ethanol and selling DDG, their return for the project is quite robust, quite relevant.

Now concluding the subject on the project, we talk about the biological asset acquisition at Santa Elisa – we also disclosed or published a material fact –, 10,600 hectares relates to agricultural contracts with rights to produce, Raízen decided to terminate the activities of that unit, and they sold their biological assets that applies to 6 mills, one of them is São Martinho. This biological asset accounts for approximately 80% of own cane, and the remainder is from third parties. The medium range is 25 kilometers from São Martinho, and the soil and climate predominantly is A and B.

When you look at the productivity slope, there are some farms that produce over 80 tons per hectare if they have the right management, if they adopt the right management in subsequent years. The transaction value was R\$ 242 million to be paid at closing, and this should happen by the end of December at the most. We do not need any additional investments in industry or agriculture; we will dilute 100% of fixed costs. There is no need to add any additional labor, we will use the same structure we have at São Martinho, because most of this cane will be crushed at São Martinho mill.

And if you look at all variable costs of that sugarcane field that involves planting, variable costs of planting and harvest, if you look at what we realized in the past year in terms of cost and revenue, we are looking at margins of about R\$ 100 per ton. Of course, this can vary depending on sugar prices and ethanol prices, but this is the order of magnitude predicted for this project.

The decision to acquire that 10,600 hectares of contracts is due to something that we've been noticing for quite some time because of different climates in the region. If you look back 10 years, 80% of this period referred to years with some climate issue, being frost, a lot of heat or less rainfall. It escaped normality when you look at a historic portfolio of 40 years. If temperature was normal or within the average of the last 40 years, São Martinho would have within its plan crushing close to 24,000 tons. But considering that 80% of these period of 10 years had some climate issue, we made then a decision to make this transaction very surgical, with very little you know capital employed, but with very quick returns regardless of product price and cost, also given the fact that we still have some room once you're diluting 60% of your fixed costs. This is the rationale behind the asset.

So we can speak more about this deal, but I thought it was interesting to mention how relevant this deal is. São Martinho, a few years ago, thought about acquiring 100% stake of this mill. The mill has a very good set of land, land neighbor to São Martinho mill, so we are sure that we have a good level of confidence that we're going to have a good return on this deal.

Well, these are my initial comments so we can open the floor now for questions. Thank you.

### **Question and Answer Session**

**Operator:** Thank you. We will now start the Q&A session. As a reminder, for written questions please send them via the Q&A icon at the bottom of your screen. For live questions, please click on Raise Hand button at the bottom of your screen.

By default, your name will be announced so that you can ask your question live. At this point, a prompt to activate your microphone will appear on your screen.

**Lucas Ferreira, JP Morgan:** Hello, Felipe. My question is about your strategy to sell sugar. I understand the points that you raised. Apparently, the main trigger in your opinion was price, and the crop year of Brazil, that you think is coming with a quality that is inferior than you expected, and that the industry as a whole expected. So when do you think you will make a decision to continue to hedge regardless of the price level? So the main question in people's mind is, well we know the price is not the expected one in Brazil, but why is this not being passed through to the price, given that we are already in the month of August? So that would be my first question.

Second question is about the acquisition of the biological assets that you've just commented on. I just want to understand what changes for the next two years, considering that there will be no major climatic event, nothing so relevant in terms of the performance of crushing of the Company. And I mean fixed cost, ROIC. How do you see the quality of the biological assets to get to 4.5 million tons?

**Felipe Vicchiato:** Hello, Lucas. Thank you for the questions. As regards to pricing timing, we understand that in mid-September, October, things will be clearer in terms of what the total sugar volume in the Center-South of Brazil will be. Today we see some washouts of some mills that sold a crystal sugar volume that they were expecting, and given the productivity they're having to wash out, this could be a trigger for the price of sugar to improve. But indeed, we expect that by end of September, mid-October, that will be an important time for this market to actually see what the production will be.

Of course, we may get this wrong. There might be a substantial improvement. I think it's hard to get to 41.3 million tons of production, but it is possible that it will not be below 39. And looking at the market and how it evolves, we will make a decision day by day. But what we have to lose here is actually very little because today we are monitoring the situation and crystallization of sugar.

As for your second question, it was about the Santa Elisa deal and what our crushing will be, well, if we assume that in normal weather, considering the average of the last 30, 40 years, with the exception of the last eight years that were very bad in the

Center-South, our sugarcane fields have an ability to get to 25 million tons with the additional biological assets.

The ramp-up of Santa Lisa is not something that will lead us to 800,000 tons next year. We will need at least two years to get to that level of tonnage, and this is a material fact that we disclosed. But we expect that next year already, considering that summer will not be as dramatic as it was this year, that we're going to have a ramp up of crushing, and crushing in good land, with a mill that has a lower fixed cost, the lowest cost in the sector. So this is an asset that will serve a mill that has a lower cost and a higher potential, and this would bring us a better return to our shareholders. That's the idea.

**Lucas Ferreira:** Thank you, Felipe.

**Henrique Brustolin, Bradesco BBI:** Good afternoon, Vicchiato. Thank you for taking my questions. First point I'd like to address is about DDG and corn-based oil. Considering what you are trading and selling today, when we make a calculation of the coverage covering the cost of corn for the last 12 months, it's about 45%. That looks high considering the current scenario of mill, which is with a low price.

So what do you think is behind this? What are you seeing in the market and how sustainable do you think this level of coverage is looking forward?

My second question is about the new corn-based ethanol plant. If you could comment on the assumptions. What would be the most conservative assumption you're taking on for the project? Because the result of your plant and the way the new phase was structured, well, it makes a lot of sense. It's very clear, but I just want to get a sense of what you're thinking in a more conservative approach to thinking about the return.

**Felipe Vicchiato:** Good afternoon, Henrique. Regarding DDG, this coverage of 45% is explained by two factors: the first factor is that, in the last nine months, the corn price was very positive for us. We were able to buy corn at a very low-price level, which helps in this percentage; and the second factor is our location. Where São Martinho is located, there is an important consuming market. So we have a lower shipping cost when we compare it with competitors who are located more to the north and our product has a quality and specification that meets the requirements for the whole year. So that attracts customers.

The comparison with DDG, people do a calculation like this: DDG is the price of mill adjusted by the protein, but for some customers, in addition to protein, there's always energy as part of DDG, and it's being very well accepted, very well received. It's a different type of sale than we normally do. The bulk of our revenue comes from the commodities and DDG is not a commodity like sale. It's more like a specialty product.

The competition seems to be very much similar and the same, but the products are different, actually. And we have a sales team that is specialized to serve the customers and to get good results from our products, and that's why we have this cover of 45%.

And as regards the assumptions, we work with some scenarios at the Company in order to approve a deal. Even with corn at R\$ 60 or R\$ 65 and oil below R\$ 60, this is a project that, once leveraged, will have a return above 20%. And this is the minimum internal rate of return that we require considering the current interest rates. If it weren't the support from FINEP and BNDES, this would unlikely be an approved project at this point in terms of the cost of credit and a very high CDI rate. So support from BNDES and FINEP was fundamental for the Board of Directors to make this decision.

After all, it will be a three-year investment and we need to have a grace period and we need to have funding rate from a, quote unquote, "civilized" country, a level of 8 or 9% so that we could make this decision. I think that the support from FINEP and BNDES was fundamental for us to make this decision, so it was a combination of the two things.

And one detail, Henrique, before I forget, an important detail, actually: when we talk about 45% of coverage, I don't know how you do the math with the other players, but we do have an advantage; we do not have the biomass cost, in a plant of 500,000 tons we would have a biomass cost of about 1R\$ 00 million. A little more, a little less, but we don't have that because of our integration, so this percentage is also a relevant one.

**Henrique Brustolin:** Actually, perfect. Yeah, that's the math. I was doing the calculation for the corn, but now it's super clear. Thank you very much for the explanation.

**Matheus Enfeldt, UBS:** Good afternoon, Philippe, and thank you for your time. My question is a follow-up from the previous question. I mean, let's look at the future rather than the past. When you talk about corn-based ethanol in the biodiesel project, I think that we might not have an oversupply, but there will be a disparity between mill and DDG, which should increase in the next coming years if the US market is any indication, as it is happening now. We will see lower sales of DDG and mill going forward.

On the other hand, in the south of Goiás, we also see some other projects for ethanol-based, I mean, for corn ethanol-based plants, that should increase the production. What is your view about that? How do you see the competition performing in terms of that plant?

And thinking about the 25-26 crop year and the cost, what is your mindset in terms of cost for this crop year and whether this is pretty much in keeping year on-year-or

it is higher than expected? What would be your cost expectation once you factor in inflation, increase in input cost, or dilution of fixed costs?

And I would just like a clarification. If that 1.1 billion of CAPEX for the corn, the corn ethanol plant will need additional working capital, or maybe R\$ 200 million of working capital would be enough?

Felipe Vicchiato: Thank you, Matheus. I'll start with your last question. That 1.1 number does not include working capital. Working capital would be R\$ 230 million, approximately. Now, in terms of the DDG question, we understand, and we see the issue of mill being an important thing considering that there will be a mandate for biodiesel, but this also has to do with the different regions where the mill will be produced and how much it would cost for it to reach the producing region.

But according to the model of the project, the DDG we sell is based on the price of US corn. In the US, DDG is sold at 90% or 100% based on the price of corn. So this is the assumption that we consider when it comes to DDG. But the corn project, apparently, has a very attractive return once we look at all price and cost indicators. But then when you also include some other not so favorable scenarios, well, there will be another large corn taker in the region. There will be too much DDG and too much mill.

Obviously, this may discourage some of the announcements, but our big advantage is that we do not need to buy biomass. And in addition to pricing, we have to originate, sometimes it's not a matter of pricing, but availability. And the second point is funding, a very large plant like BNDES and the Climate Fund has a limitation of R\$ 500 million. So if you talk about a plant of 1 million tons, you already have some limitations because of the Climate Fund, and this is a market of 15 to 16%.

So whoever makes a decision to build a plant now with not so favorable conditions, maybe you will choose not to invest right now. So it's a bit like that. And I think I covered all your questions and all your points, right?

**Matheus Enfeldt:** Oh, you failed to talk about cost.

Felipe Vicchiato: Okay, cost. We thought that this year, maybe we would be able to reduce our production cash costs – I'm only speaking about sugarcane production, I'm not referring to corn, right –, but if you look at sugarcane alone, we believe that we will be able to reduce our cash costs vis-à-vis what we had last year because the base last year was quite high. But since we are not seeing this reduction coming our way for many reasons but one of the reasons is TRS, the conversion of cane into TRS, the conversion is very low, and this should impact sugar prices as I said before. And we believe that it will impact along the crop year.

So cash costs should be pretty much in keeping with what we had last year. I think this is the best information I have today.

**Matheus Enfeldt:** Great. Thank you.

**Gabriel Barra, Citi:** Hi, Felipe. Thank you for taking my question. I just have a few follow-ups. I think we were looking at the macro scenario – I think this is the question I get very frequently –, I think the landscape is a bit more challenging from what we anticipated earlier on in the crop here. It's even surprising as we're seeing some mills trying to migrate towards ethanol because the rainfall was not as expected. And so, I just want to understand your strategy for the mix this year, given the pricing scenario for ethanol. I would just like to hear from you a bit more about the mix.

The second point, still talking about Raízen and M&A you had, I don't know whether you can disclose that, but can you talk about the age of the sugarcane fields? Because this will allow us to talk about a renewal CAPEX for the fields, for the sugarcane fields. I would just like to get a little bit more details and whether this would be enough or whether you would anticipate a lack of industrial capacity to crush all of this sugarcane.

How would that 800,000 tons would fit into the São Martinho's plant capacity? So, these are my two questions. Thank you.

Felipe Vicchiato: Barra, thank you for your question. The first question was about this crop year's mix. So, I'll start with something you said, which is true. I mean, it is very true. We are seeing in the Midwest of Brazil; we see that the mills are favoring producing more ethanol and less sugar. Well, first of all, because price of sugars are down, and secondly, because freight costs are really expensive to take the product to the port, and the conversion of TRS into sugar bags is very low. Prices are low.

We see many mills favoring ethanol production rather than sugar, because there is more liquidity with ethanol, there are some tax benefits, etc. With time, this will show. Once again, I mean, still reinstating our position that sugarcane production of 41.5, I mean, according to market consensus, is very unlikely to happen.

Our mix, we did not disclose the guidance, and we will not disclose it. Strategically speaking, we will only disclose it at the end of the crop year. But at the end of the day, this will be a mix that will privilege profitability. And this has happened all the time. But it will depend on every mill and how the conversion is for every sugar mill.

There is also an issue of cash flow because I have ICMS and PIS and COFINS in my asset that, in the last few years, I had some gains, about R\$ 300 million that I don't have to realize because I produce ethanol and then I can realize that immediately. Given the fact that the cost of money is high nowadays, it also has to make sense in our calculation to make more ethanol, because even though sometimes the margin is lower in my P&L, but in terms of cash conversion, at the end of the day, maybe it's better to produce ethanol than sugar.

So that's the main reason why we are not giving any guidance about our sugar production.

Now, speaking about the average age of Santa Elisa and the fields, sugar fields in Santa Elisa, the average age is within the same average age at Usina São Martinho. What we have there is that there are 2,000 hectares that need to be planted. They were impacted by the fire, so that the fields have to be planted, and this number is contemplated in the return of the project, so we should do that in the summer as soon as CADE approves the project.

And that's why I said that next year we are saying that it will be 600,000. So 600,000, this depends on our capacity, our industrial crushing capacity. And then in the following years, assuming that climate will be normalized, the level should go up to 800,000. But certainly, if we have a very, very exceptional yield year, like we experienced a few years back when we didn't encounter any climate issue, I will have more produced sugarcane.

And then I will have to make a decision whether I will prioritize cheaper cane or whatever, but that will be a more tactical decision. But at the end of the day, that means that I will have a lower return in a year where my yield is very, very good, and I will have less return in a very good year, because I will have to put that cane to be crushed at the end of the crop season, April, November, and December. In other years where yield is not so good, like this year, I would have a better return from the project because I can place that cane in the middle of the crop season when I have a higher TRS, a dilution of fixed costs, etc.

So what I'm saying is that I'm hedging against adverse climate, as we had in the past few years.

**Gabriel Barra:** Very clear. Thank you.

**Leonardo Alencar, XP:** Hello, John. Hello, Felipe. I'd like to address the commodities. I understand you didn't give us a guidance in terms of sugar mix, but if we could theoretically ask your opinion about the price of sugar and this imbalance regarding sugar production expectations as sugar is being priced today. And what do you think we should expect the market mix theoretically? Last year we were very much frustrated. We spoke about more than 52% mix in the market. In the beginning of the year, it was about 49% that was delivered. So what could be the sugar mix for this year?

And thinking about ethanol dynamics, you talked about an expectation of favorable supply, about 70%, but there is a risk that Petrobras might lower the price. So what would be the worst-case scenario for sugar mix in this scenario so that we can have a reference?

And another point, Felipe, so that we can confirm the perception, the land that you acquired from Santa Elisa, given the logistics, the agricultural potential, you think the land is very attractive and you spoke about a very strategic return on the investment. Should we conclude that this kind of profile of land continues to be M&A opportunistic? In other words, if there are more opportunities out there with favorable logistics, you would be considering buying good quality land, at this price range, you would be buyers. Does it make sense to think about it that way?

Felipe Vicchiato: Thank you, Leo. I'll start with the second one. And the answer is no, because now I already have sufficient land to fill my industrial capacity. So even if another similar opportunity arose, the marginal return with that second acquisition would be a lot lower, and we do not intend to make an acquisition and increase the industrial piece of the equation, because he won't do the trick.

Santa Elisa, or Raízen, made a rational decision to sell the asset. And obviously, because with that asset, with the current structure fixed cost, the operational was not giving them a good return. So it made sense for them to sell. And six mills got the cane. But if the mills get the cane and if we put more product in the market, in the long run, the project will not give us the expected return.

So I think that there might be more assets that would follow the same logic and I believe that there might be mills willing to acquire them, but not São Martinho because now we got to kind of our limit in terms of amount of cane and since we have the project TPH 13, which is a mix of productivity in TRS, it's doing really well in terms of variety of cane that we are planting in our sugar cane fields, cane that is more resilient to droughts and pests, these new varieties are responding really well. So, it wouldn't make any sense to have a similar deal to this one.

And as for the sugar mix, we believe that the mix will be in the 39 to low million tons. I don't know in terms of percentage, but to us something close to 39 or even lower, because today the Midwest mills, the ones that do not have hedged their marginal sugar, and they are in the process of making less sugar and more ethanol, and that's the idea here.

**Leonardo Alencar:** Okay, thank you for the answers, perfect.

**Gustavo Troiano, Itaú BBA:** Good afternoon. Thank you for the questions. There's one point that I would like to go back to, it's the corn, about the corn-based ethanol. I'd like to have a comparison of margins comparing the new capacity of corn-based ethanol with the one that you currently have.

So if the formulation of the CAPEX and of the additional capacity will allow you to have a different level of margin than what you currently have with your current operations, of course, assuming the same level of commodities for all operations. I just want to try to understand the comparison.

And still in this comparison of margins, current capacity versus new capacity, I would like to understand better the improvements to the existing plant that you mentioned when you mentioned the ethanol plant CAPEX. How will this impact your current margin in terms of corn-based ethanol? I just want to understand the synergy between the current capacity and the new capacity.

Does this bring a gain of scale in the future or the fact that you will have perhaps a greater storage capability? I want to understand the relationship between the new assets and the old ones.

Felipe Vicchiato: Thank you, Gustavo. As regards to the additional margin in the new phase, considering the same price levels, theoretically, yes, I would have a little more in scale, but the difference is actually minor. The volume of labor, the personnel in the new plant, it's not like labor will double and the percentage of cost is very small. It's very small there. So there will be a little impact but nothing very relevant.

The corn business for us, well, does entail a learning curve. And this is already happening for the corn plant which is the learning curve to extract more ethanol and DDG from the same amount of corn processed. So we know and admire Inpasa. Inpasa today is the best in terms of ethanol extraction and DDG extraction, and we are pursuing an efficiency improvement. And there is a lot of room for improvement. If you compare my extraction last year, my guidance for this year, and how much I'm getting in Q1, I'm already posting improvement. But we can improve even further, at least 10%.

And that's a combination of a learning curve, a blend of chemicals to produce ethanol, when we add the enzymes, so it's a different blend of enzymes, and all of this is being considered, studied and improved. And we understand that in two to three years when the new plant is up and running that we're going to have a good possibility of posting a better margin.

And as for the investments in the current plant, those are investments for steam generation basically, energy, power generation, so we'll consume the least energy possible. That's why we're consuming 63,000 MW/h of power and also investing to improve so we can have a shorter intercrop period, off-season.

Today my off-season is 15 to 20 days long, and we could have that down to about 10 days, so we're going to be able to process more corn and crush more. So part of the increase the crushing the second plant that will come from the crushing for ethanol itself, but for that to happen I had to invest 1.1 billion in total for the margin to grow to 635,000 tons.

**Gustavo Troiano:** Super clear, Felipe, thank you.

**Júlia Zaniolo, Bank of America:** Good afternoon, everyone. Well, during the call – and since the last call –, you've been talking a lot about this estimate of sugar

production in the market, and you're expecting a lot less than other producers that you've been talking to.

And given that you understand that there will be a change in the mix with a greater share of ethanol than sugar in the mix, why is it that other producers are seeing this differently than you are to get to 41 versus 49?

Felipe Vicchiato: Julia, good afternoon. Let me just stress one point: São Martinho is not seeing a number worse than cane producers and cane growers. The cane growers with whom I'm talking have a similar number to ours or even lower than 39 million tons. The 41.5 is actually numbers coming from consulting services, and these are followed by the whole world.

But the growers, the ones that are working day to day with crystallization how the sugarcane fields are performing, these growers are very much in line with what São Martinho is saying, okay? I just want to stress that point.

I think that tomorrow Raizen will be disclosing their results, and you'll have an opportunity to speak with them and hear about their numbers, and I believe that they will be kind of in keeping with ours. Jalles will also be disclosing their results very soon, and they are located in the region of Goiás, a region which is suffering a lot. This year, Boa Vista was a highlight last year in terms of productivity and they were not impacted by the fires, the wildfires. And this year, the Boa Vista crop year is very complicated because they got a mix of too much heat, too much rain, it rained in the wrong time.

So, it's a combination of low productivity and low TRS. In August, I think it's almost 95, 100 liters of ethanol per ton, and we are doing 80, 75. So the region of Goiás overall has this issue, which is an important issue. In my case, it impacts ethanol more, but if they have sugar in the same region, they will suffer.

So that's the kind of divergence. But we'll have to wait and see. Wait and see how the coming months will be like. Perhaps we are not seeing something that other people are seeing, but when we look at our backyard, things are not looking that good, that number of 41 will not be achieved.

**Júlia Zaniolo:** Okay, thank you.

**Guilherme Guttilla, BTG Pactual:** Hi, good afternoon. I would like to take a deeper dive into the crushing issue. I think productivity was a bit lower for the reasons you explained in the release. I would just like to understand if you anticipate any risk in terms of guidance estimate to the end of the year. If not, what is your reading of that crushing for the end of the year and how do you see productivity advancing from now to the next quarter?

And what would be the expectation of the unit cash cost since that crushing going forward should be better?

Felipe Vicchiato: Hi, Guilherme. Good afternoon and thank you for your questions. I would like to start with the unit cost. As I was telling Barra, I think our unit cost is pretty much in line with what we had last year. It should have been lower, that was our initial estimate, but our unit cost will be slightly in keeping. It was supposed to absorb inflation, but at the end this will not happen.

The reason for that is that in fact, productivity in our own cane is worse than anticipated and we are compensating that a bit with some cane coming from third parties. So this combination of higher origination of cane from suppliers and with lower yield in our own cane, for now our crushing guidance is just as we were anticipating at the beginning.

If there is any shortfall, it will not be very relevant. It will be at the most 2%, but there is still room to originate a little bit more cane, and then that will be enough for crushing. But what we expected to see happening, which would be lower costs, I don't think that will happen. I think we will meet halfway.

**Guilherme Guttilla:** Okay, I got it, thank you.

**Werner Roger, Trígono Capital:** Congratulations on the results. I have two questions. One is about biomethane. How is the schedule progressing in supply of machinery? Whether I could use or distribute through redistribution using natural gas.

And about this important investment on the warehouses, would this be a horizontal or vertical storage place? We know that this is relevant because it has to do with pricing, so I would just like to understand your storage capacity and structure.

Felipe Vicchiato: Thank you, Werner, for your questions. Biomethane, we have already concluded the investments, the plant is ready. We are just waiting for all of the pertinent licenses to start using the gas and start commissioning the plant and then we could start selling that biomethane. 100% of that biomethane is injected in the network, in the grid, because we have a contract with Compass.

In the investment, we already contemplated the connection to the plant in Araraquara. We will process and sell 100% of that biomass and to Compass. So all we have to do is comply with the agreement. The investment is in place, this year alone, if everything goes well with all of the approvals, I think we will start generating revenue in the second half of September. So then we'll have September, October, and November, and then we stop, because this is a project for vinasse. And so, once we have no more vinasse, we cannot generate any more biomethane. So the revenue will not come in the coming season, only in the next one. So we expect to produce 16 million m<sup>3</sup>.

Speaking about the warehouse, the warehouse accounts for approximately 20% of the total CAPEX. It's a horizontal warehouse for 240,000 tons of corn. It's very modern, state-of-the-art, and it has a drying unit as well. And there are four or five companies that we're looking at now just to get that warehouse operational.

**Werner Roger:** Still speaking about biomethane, when you reach full capacity, what will be the level of revenue? I mean, this 16 million, how relevant this revenue from biomethane will come? You mentioned 20% of the capacity.

Felipe Vicchiato: Revenue next year, around R\$ 45 to 50 million, gross revenue. Yeah, this is the order of magnitude.

**Werner Roger:** I mean, cost is very low. I know you're using the waste, which is vinasse or stillage.

Felipe Vicchiato: I mean, the cost is very, very low. The cost of our main input (labor) is almost nothing, because the plant is totally automated. It's state-of-the-art facility. The return of the new biomethane plants, the bulk of it is CAPEX. I mean, the CAPEX was lower by 10 to 15 million, but that involves R\$ 230 million of CAPEX. And again, with the corn DDG plant, we had the support from BNDES and the Climate Fund, and that helped us to conclude the plan. Otherwise we couldn't do it ourselves.

I mean, we are capable of putting a plant twice as big, but in São Martinho, because we have a lot of vinasse right there, but once the investment is done, its cash flow is quite relevant when it comes to revenue because the bulk of the cost is in with soda.

**Werner Roger:** And I think you would have a bigger generation of CBios and biofertilizers. I don't know whether that factors into the account or the calculation. So there is further cost reductions with biofertilizers.

Felipe Vicchiato: Okay, CBio, we still have to certify it. It's still not contemplated in the calculation of the project. And biofertilizer, we still need to run the plant for a year because the process where you do the biodigestion of vinasse. So once that product returns to the field, we have to see whether there hasn't been any loss of nutrients that should be replaced. So in the project to approve their return, I even included that as a negative point, as though I would have to invest more in fertilizers to compensate for the nutrients that are caused by the biomass.

But it's only next year that it will be more apparent to us whether this will be necessary or not. But we don't know it yet.

**Werner Roger:** Thank you. Thank you for the clarification.

**Operator:** We now conclude the Q&A session. I would like to turn the floor to Mr. Felipe Vicchiato for the final remarks.



Felipe Vicchiato: Thank you very much for participating in our call. Myself and my IR team will be available if you have any further questions, and I wish you a great end of week for everyone.

**Operator:** Well, the São Martinho conference call is now closed. Thank you for your participation and have a good afternoon.