

Earnings Release

1st Quarter
2020/2021 Crop Year



Cash Income of R\$148 million in 1Q21 – 122.5% increase

1Q21 Highlights (excluding the effects of IFRS 16)

- ✓ Adjusted EBITDA came to **R\$491 million** in 1Q21 (+41.1%), with **Adjusted EBITDA margin of 48.0%**. The improvement reflects primarily the better average sales prices (+16.9%) and higher sales volume of sugar in the period (+92.4%);
- ✓ Adjusted EBIT was **R\$184 million** in 1Q21 (+55.7%), with **Adjusted EBIT margin of 18%**;
- ✓ Net Income was **R\$115.7 million** in 1Q21 (+26.5%), while Cash Income was **R\$148 million** (+122.5%);
- ✓ Operating Cash Flow¹ came to **R\$299 million** in 1Q21, increasing 78.9% compared to 1Q20;
- ✓ On June 30, 2020, our sugar prices for the coming quarters of the 20/21 crop year were hedged for **~801 thousand tons** of sugar, which represents **~95% of own cane**, at a price of **~R\$1,315/ton**. For the 21/22 crop year, ~320 thousand tons of sugar were hedged at a price of **~R\$ 1,424/ton**.

1 – Operating Cash Flow = Adjusted EBITDA – Maintenance Capex

Executive Summary	1Q21	1Q20	Chg. (%)
Net Revenue ¹	1,024,858	754,934	35.8%
Adjusted EBITDA	491,443	348,383	41.1%
Adjusted EBITDA Margin	48.0%	46.1%	1.8 p.p.
Adjusted EBIT	184,197	118,326	55.7%
Adjusted EBIT Margin	18.0%	15.7%	2.3 p.p.
Net Income before taxes	160,007	76,240	109.9%
Net Income without IFRS 16 effects	123,167	96,361	27.8%
Non-cash effect of IFRS 16 on Net Income	(7,461)	(4,897)	52.4%
Net Income	115,706	91,463	26.5%
Cash Income	147,999	66,529	122.5%
Net Debt / EBITDA	1.47 x	1.61 x	-8.4%

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

Data do not include the IFRS 16 impacts, except net income

June 30, 2020

SMT03
R\$21.21 per share

Market Capitalization:
R\$7,509 million

Earnings Conference Call

August 11, 2020 (Tuesday)

3:00 p.m. Brasília time + 55 11 4210-1803
2:00 p.m. New York time +1 412 717-9627
Access code: São Martinho

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

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

Índice
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Small Cap **SMLL**

Adoption of IFRS 16/CPC 06 – Leases

As mentioned in prior quarters, as of the fiscal year ended March 31, 2019, the Company adopted IFRS 16 – Leases, which introduces a single accounting model for leases and agricultural partnerships in the balance sheet. Right-of-use assets were recognized in assets and lease liabilities, in liabilities.

The Company and its subsidiaries consider as lease any agreement that, upon consideration, transfers to the Company the right to control the use of an asset for a certain period. Accordingly, the agricultural partnership agreements, although having a different legal form, were accounted for as leases.

The Company adopted the simplified with cumulative effect approach and the following criteria:

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

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

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

Impacts from IFRS16 on the Income Statements for 1Q21 and 1Q20:

Results	1Q21			1Q20			
	Before IFRS 16	Impacts	After IFRS 16	Before IFRS 16	Impacts	After IFRS 16	
Net Revenue¹	1,024,858		1,024,858	754,934		754,934	
COGS	(733,177)	31,948	(701,229)	(557,867)	4,836	(553,031)	
└ (-) Leasing Payment		89,693			56,195		→ We no longer account for cash cost of agrarian contracts
└ (+) Right-of-Use Amortization		(57,745)			(51,359)		→ We now account for contract amortization
Gross Income	291,681	31,948	323,629	197,067	4,836	201,903	
Selling/General/Adm. Expenses	(101,436)	(35)	(101,472)	(69,059)		(69,059)	
└ (-) Leasing Payment		330					
└ (+) Right-of-Use Amortization		(366)					
Op. Income Before Financial Result	190,245	31,912	222,157	128,008	4,836	132,844	
Financial Result/Debt Hedge	(30,238)	(43,217)	(73,455)	(51,767)	(12,191)	(63,958)	
└ Lease APV		(43,217)			(12,191)		→ Adjustment to Present Value (APV) of agrarian contracts is accounted for as net financial result
Income before Taxes	160,007	(11,305)	148,702	76,241	(7,355)	68,885	
Income tax	(36,840)	3,844	(32,996)	20,120	2,458	22,578	
Net Income	123,167	(7,461)	115,706	96,361	(4,897)	91,463	
Book EBITDA	496,889	90,023	586,912	357,623	56,195	413,818	
Leasing Payment		(90,023)	(90,023)		(56,195)	(56,195)	→ As we no longer account for cash cost of agrarian contracts, Book EBITDA increased, which effect has been adjusted for the Adjusted EBITDA
Other adjustments	(5,445)		(5,445)	(9,240)		(9,240)	
Adjusted EBITDA	491,443		491,443	348,383		348,383	

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

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

COMPANY OVERVIEW

Operating Highlights

OPERATIONAL DATA	1Q21	1Q20	Chg.(%)
Crushed Sugarcane ('000 tons)	10,020	9,042	10.8%
Own	6,810	6,246	9.0%
Third Parties	3,210	2,796	14.8%
Mechanized Harvest	100%	100%	0.0 p.p.
Agricultural Yield (ton/ha)	88.6	89.1	-0.6%
Average TRS (kg/ton)	131.2	122.7	6.9%
Production			
Sugar ('000 tons)	596	436	36.7%
Ethanol ('000 m ³)	406	382	6.3%
Cogeneration ('000 MWh)	341	295	15.3%
TRS Produced	1,314	1,109	18.5%
<i>Mix Sugar - Ethanol</i>	<i>47% - 53%</i>	<i>41% - 59%</i>	

The Company processed 10.0 million tons of sugarcane in the first quarter of the 20/21 crop year, representing growth of 10.8% on the same quarter last crop year, reflecting the drier weather observed during the period. The combination of the operational efficiency improvement in the period and the 6.9% increase in average TRS reflected in a 18.5% increase in total TRS produced.

In line with production guidance for the crop year announced in June, the Company has been prioritizing sugar in its production mix given the commodity's higher profitability compared to ethanol.

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.

	1Q21	1Q20	Chg. (%)
R\$ '000			
Net Revenue ¹	1,024,858	754,934	35.8%
Adjusted EBITDA	491,443	348,383	41.1%
Adjusted EBITDA Margin	48.0%	46.1%	1.8 p.p.
Adjusted EBIT	184,197	118,326	55.7%
Adjusted EBIT Margin	18.0%	15.7%	2.3 p.p.
Consolidated Balance Sheet Indicators			
Total Assets	10,383,572	10,298,538	0.8%
Shareholders' Equity	3,423,937	3,523,434	-2.8%
EBITDA (LTM)	2,000,252	1,591,527	25.7%
Net Debt	2,941,864	2,556,381	15.1%
Net Debt / EBITDA (LTM)	1.47 x	1.61 x	-8.4%
Net Debt / Shareholders' Equity	86%	73%	

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

Data do not include the IFRS 16 impacts

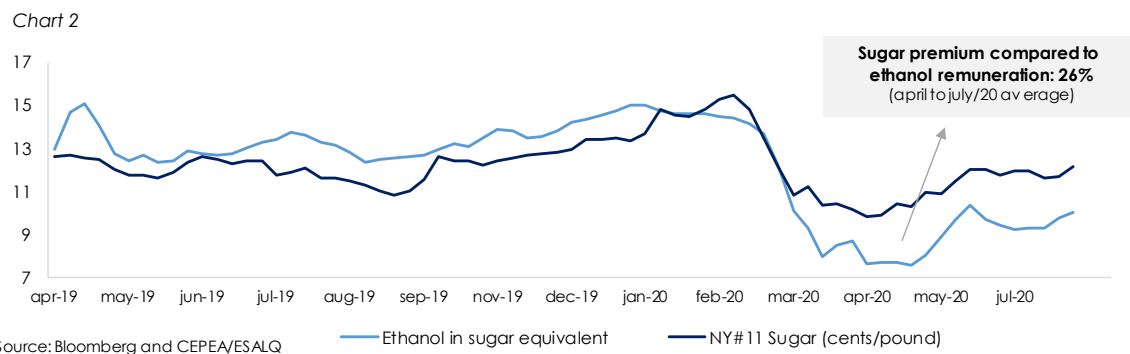
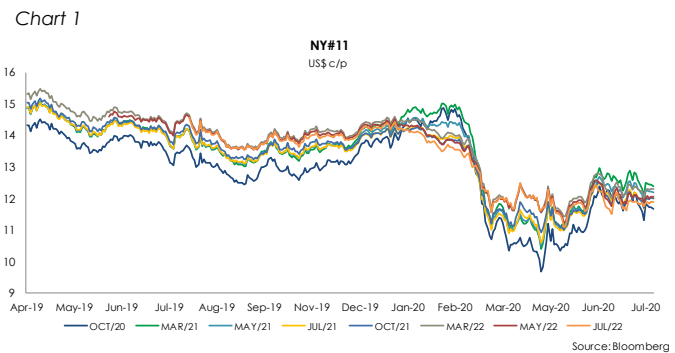
INDUSTRY OVERVIEW

According to the report issued by the Brazilian Sugarcane Industry Association (UNICA), since the start of crop year until July 16, 2020, the Center-South region processed 276.0 million tons of sugarcane, representing an increase of 6.5% on the previous crop year, mainly due to the drier weather observed, with 46.7% of the production mix allocated to sugar production and 53.3% to ethanol production.

Sugar

Brazil's Center-South region has produced 16.3 million tons of sugar since the start of the crop year, which is approximately 50% higher than in the prior crop year, reflecting the prioritization of sugar in the production mix, given the product's higher profitability relative to ethanol in the period, as noted previously.

In line with our comments in the previous quarter, the decline in international sugar prices (NY11) in USD at the start of the Brazilian crop year (see Chart 1 in the right) was offset by the depreciation in the Brazilian real against the U.S. dollar. As a result, sugar prices in Brazilian real remained at higher levels compared than before the pandemic, leading to a significant premium over the ethanol remuneration (see Chart 2 below).



Given this scenario, we accelerated our sugar hedging for both the 20/21 and 21/22 crop years. On June 30, 2020, we had **~801 thousand tons** of sugar hedged for the coming quarters of the 20/21 crop year, which represents **~95% of own cane**, at an average price of **~R\$1,315/ton**. For the 21/22 crop year, **~320 thousand tons** of sugar were hedged at a price of **~R\$1,424/ton**, which represents **~28% of own cane** (for more details see the 'Hedge' section).

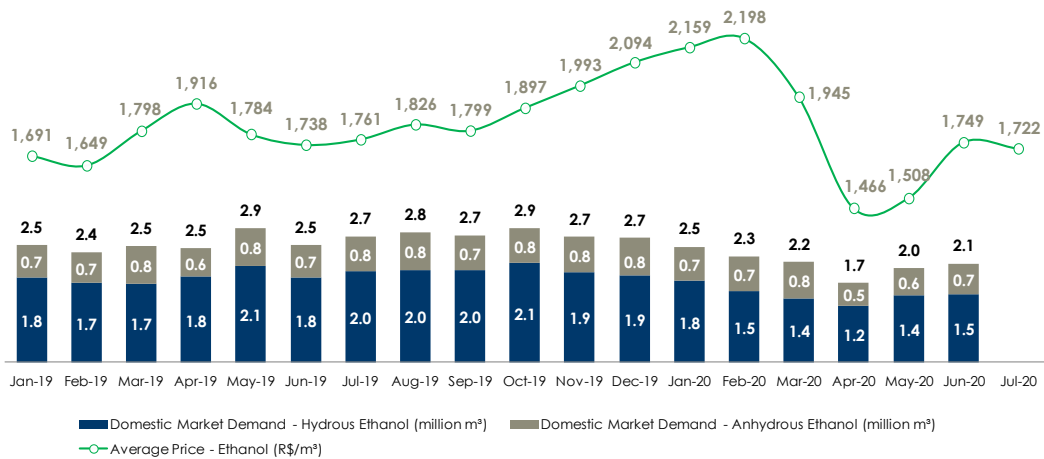
Ethanol

According to data from UNICA, since the start of crop year until July 16, 2020, Brazil's Center-South region produced 12.1 billion liters of ethanol, 5.9% less than in the same period last crop year, given the production mix prioritizing sugar.

As we commented last quarter, in mid-March, pressured by the COVID-19 pandemic, ethanol prices fell sharply (see following chart). However, in April, ethanol prices staged a recovery, reaching same period last year levels, even though demand in the quarter was considerably lower than in the same period last crop year.

As a result, we envisage a constructive scenario for prices over the course of the crop year, reflecting the stability in oil prices and in the FX rate, as well as the gradual recovery in demand for the product.

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



Source: UNICA and CEPEA/ESALQ

FINANCIAL PERFORMANCE

The following table presents São Martinho's financial highlights in the first quarter of the crop year.

NET REVENUE BREAKDOWN	1Q21	1Q20	Chg. (%)
R\$ '000			
Domestic Market	414,986	476,719	-12.9%
Sugar	37,933	32,146	18.0%
Ethanol	288,301	352,806	-18.3%
Energy	64,650	67,561	-4.3%
Yeast	10,521	6,401	64.4%
Real Estate Development	842	475	77.3%
Others	12,739	17,330	-26.5%
Export Market	609,872	278,215	119.2%
Sugar	539,375	224,571	140.2%
Ethanol	70,497	53,644	31.4%
Net Revenue¹	1,024,858	754,934	35.8%
Sugar	577,308	256,717	124.9%
Ethanol	358,798	406,450	-11.7%
Energy	64,650	67,561	-4.3%
Yeast	10,521	6,401	64.4%
Real Estate Development	842	475	77.3%
Others	12,739	17,330	-26.5%

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

As shown above, this quarter, we begin to report a specific revenue line for yeast sales, which before was always were allocated in the 'Others' line. More details follow in this section.

Net Revenue

In the first quarter of the 20/21 crop year, the Company's net revenue amounted to R\$1,024.9 million, increasing 35.8% on the same period last crop year, driven primarily by the higher average sales price (+16.9%) and higher sales volume of sugar in the period (+92.4%).

Main Adjustments in Net Revenue for 1Q21

1) Debt maturity (Hedge Accounting)

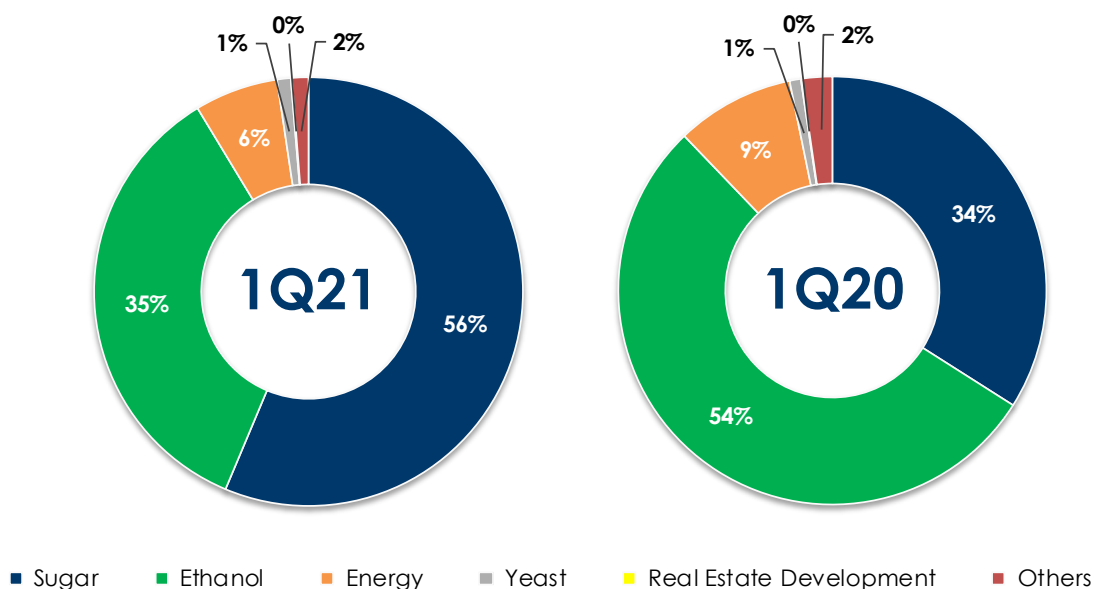
Expense related to exchange variation on debt settled in 1Q21 that was previously designated as Hedge Accounting at a BRL/USD exchange rate of R\$3.3. Considering that the exchange rate used for the purposes of cash flow in the period was R\$5.4/USD, we adjusted the amount of R\$0.6 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period.

2) Purchase Price Allocation (PPA)

In 1Q21, there was a noncash expense of R\$3.2 million, reflecting the amortization of goodwill paid for the future profitability of the cogeneration volume of the Santa Cruz Mill.

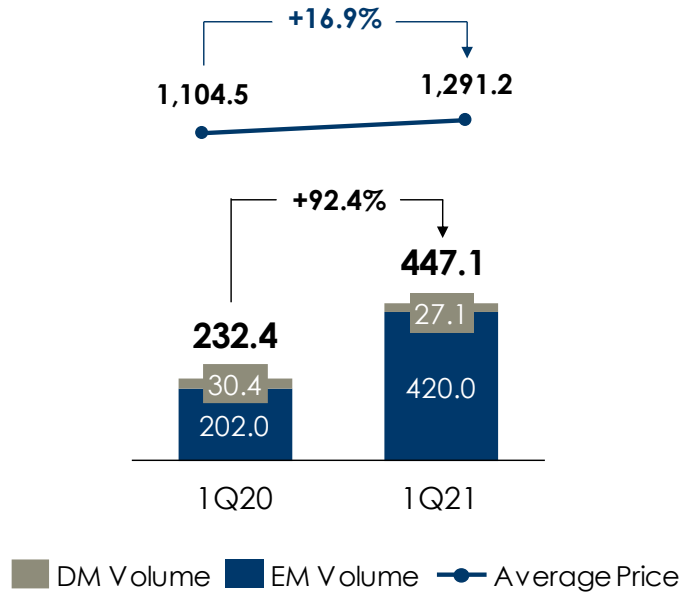
The following charts present a breakdown of the Company's net revenue by product:

Net Revenue Breakdown



Sugar

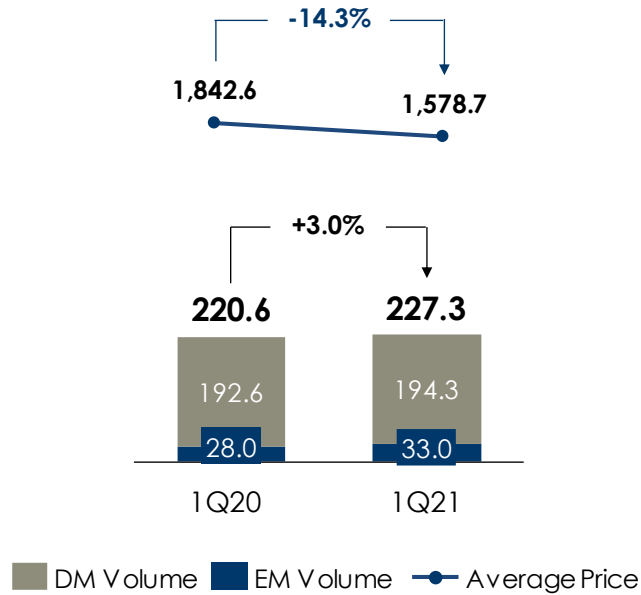
Volume ('000 tons) and Average Price (R\$/ton)



Net revenue from sugar sales amounted to R\$577.3 million in 1Q21, increasing 124.9% on the same period of the previous crop year. The better performance was mainly due to the Company's decision to take advantage of windows of opportunity created by the stronger physical demand for the commodity, which led to a 92.4% increase in sales volume at a 16.9% higher average price.

Ethanol

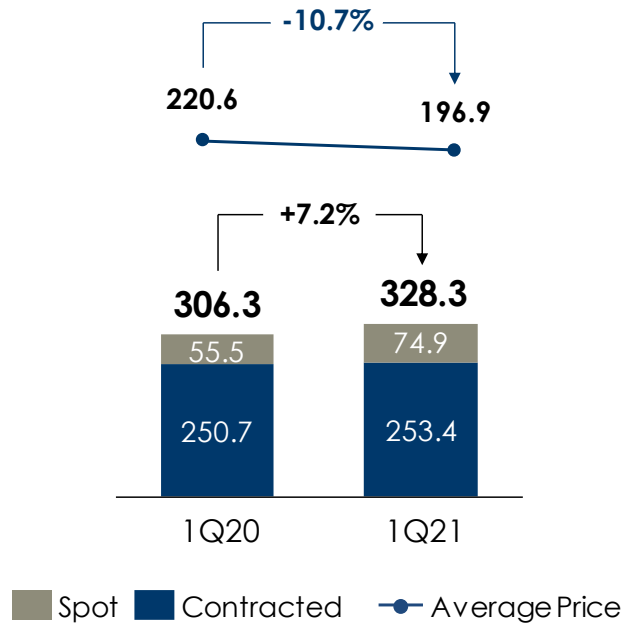
Volume ('000 m³) and Average Price (R\$/m³)



Net revenue from ethanol sales amounted to R\$358.8 million in 1Q21, decreasing 11.7% from 1Q20, mainly due to the 14.3% lower average sales price.

Cogeneration

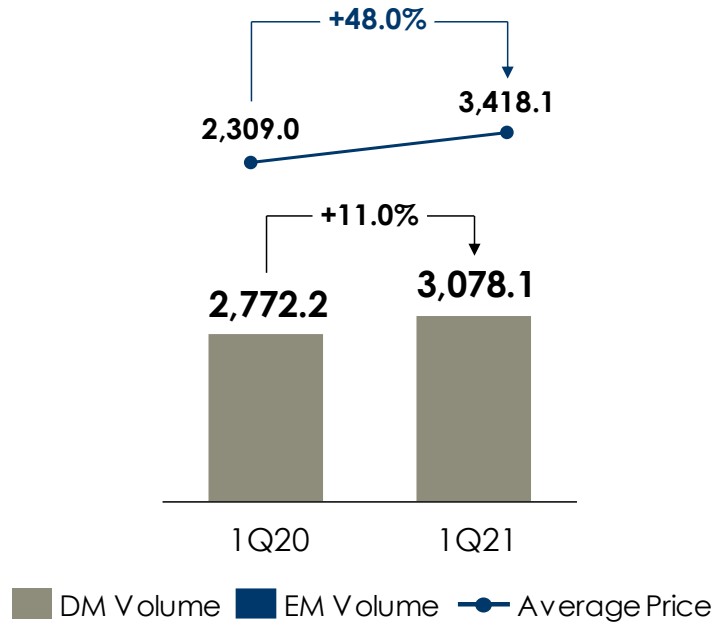
Volume ('000 MWh) and Average Price (R\$/MWh)



Net revenue from cogeneration sales was R\$64.6 million in 1Q21, declining 4.3% from the same quarter last crop year, reflecting the lower average spot energy price in the period, despite the stronger sales volume, given the higher volume of bagasse available for cogeneration.

Yeast

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



As mentioned above, starting this quarter, we will break down net revenue related to the sales of yeast, which is produced at our units located in the state of São Paulo. In June 2020, we officially inaugurated our yeast production plant at the Boa Vista Mill (as we commented in our corporate materials last crop year), whose main application is as a key ingredient in animal feed.

Net revenue from yeast sales in amounted to R\$10.5 million in 1Q21, increasing 64.4% from the same quarter last crop year, reflecting mainly the 48.0% higher average sales price combined with the 11.0% higher sales volume.

Real Estate Development

The following table presents an overview of the projects and their percentage of completion (POC) and sales since their launch through June 2020.

Real Estate Development	Type	City	Area (m ²)	Launched date	Total lots sold	POC Position
Recanto das Paineiras	Residence	Iracemápolis	376,567	June-14	99.8%	100.0%
Park Empresarial - I	Industrial	Iracemápolis	182,684	September-14	76.1%	100.0%
Park Empresarial - II	Industrial	Iracemápolis	133,794	October-17	33.6%	100.0%
Nova Pradópolis - Phase I	Residence	Pradópolis	246,937	December-15	92.7%	100.0%
Nova Pradópolis - Phase II	Residence	Pradópolis	255,750	July-17	68.0%	100.0%

In 1Q21, the Company recognized net revenue of R\$842 thousand and cash generation of R\$2.6 million.

Real Estate Development	1Q21 Net Revenue	1Q21 Cash Generation	Portfolio June/20
R\$ '000			
Current Projects	842	1,868	25,702
Land Monetization	0	758	16,891
Total	842	2,626	42,593

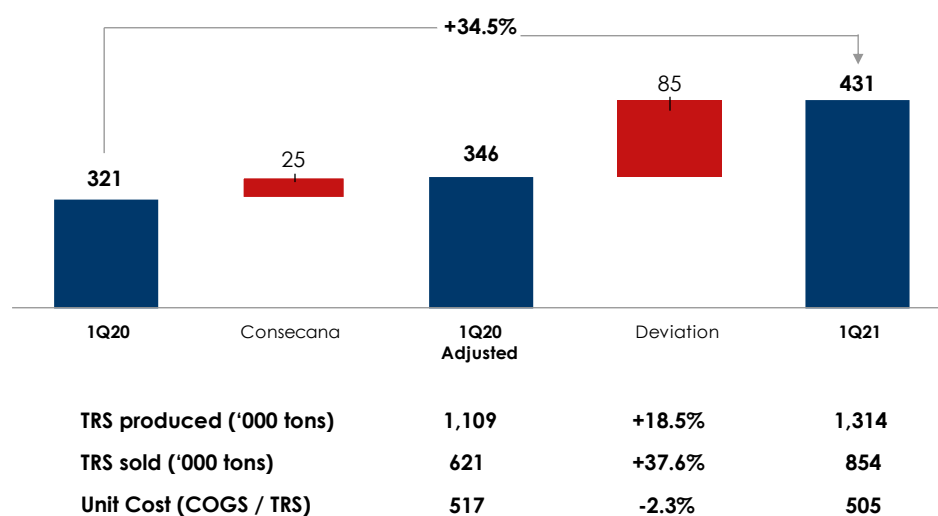
CASH COGS

CASH COGS	1Q21	1Q20	Chg. (%)
R\$ '000			
Agricultural Costs	377,034	278,620	35.3%
Suppliers	211,192	145,790	44.9%
Partnerships	88,240	66,221	33.3%
Own Sugarcane	77,602	66,609	16.5%
Industrial	54,947	42,416	29.5%
Other Products	12,327	22,752	-45.8%
Total COGS	444,309	343,788	29.2%
TRS Sold ('000 Tons)	854	621	37.6%
COGS / TRS)	505	517	-2.3%

Data do not include the IFRS 16 impacts

Cash COGS in 1Q21 was R\$444.3 million, 29.2% higher than in 1Q20, reflecting mainly the effect from the higher TRS solid in the period.

Considering the volume of TRS produced in the quarter around 18.5% higher than in 1Q20 and excluding the effect from the variation in the Consecana price in the period, unit cash COGS considering both sugar and ethanol declined by 2.3% in relation to 1Q20, reflecting the lower fixed costs due to economies of scale.



The following table presents details on the variation in average unit cash COGS for both sugar and ethanol compared to 1Q20. As mentioned on prior opportunities, the lower variation in the ethanol cost at the expense of sugar mainly reflects the higher share of ethanol sales at the Boa Vista Mill in the period, whose production cost is lower than that of the mills located in São Paulo.

Cash COGS per Product	1Q21	1Q20	Chg. (%)
R\$ '000			
COGS (Cash)	431,275	320,760	34.5%
Sugar	251,588	131,420	91.4%
Ethanol	179,687	189,340	-5.1%
Average Cash Cost Per Unit¹			
Sugar Cash Cost	562.7	565.4	-0.5%
Ethanol Cash Cost	790.6	858.4	-7.9%

Data do not include the IFRS 16 impacts

¹ - Sugar in R\$/ton

Ethanol in R\$/m³

CASH COST BY PRODUCT

To provide a better understanding of the impacts of cash cost, the following table presents a breakdown of costs in the comparison period (1Q21 vs. 1Q20).

	1Q21							1Q20						
	Sugar	Ethanol	Energy	Yeast	Real Estate Development	Others	Total	Sugar	Ethanol	Energy	Yeast	Real Estate Development	Others	Total
R\$ '000,000														
Net Revenue ¹	577	359	65	11	1	13	1,025	257	406	68	6	0	17	755
(-) Costs/Expenses	-312	-204	-17	-2	1	0	-533	-167	-219	-19	-2	-1	0	-407
(=) Adjusted EBITDA	265	155	48	9	1	13	491	90	188	49	5	0	17	348
Adjusted EBITDA Margin	46%	43%	74%	82%	174%	102%	48%	35%	46%	73%	75%	-32%	98%	46%
Average EBITDA Cost (R\$/unit²)	697	898	50	599				717	991	61	583			
(+) Depreciation/Amortization	-153	-141	-9	-1	0	-3	-307	-82	-136	-7	-1	0	-4	-230
(=) Adjusted EBIT	112	14	39	8	1	10	184	8	52	42	4	0	13	118
(-) Depreciation/Amortization	153	141	9	1	0	3	307	82	136	7	1	0	4	230
(-) Maintenance Capex	-100	-92	0	0	0	0	-192	-70	-111	0	0	0	0	-181
(=) Cash Generation	165	63	48	9	1	13	299	20	77	49	5	0	17	167
Volume sold (unit ³)	447	227	328	3			854	232	221	306	3			621
Average Price (R\$/unit²)	1,291	1,579	197	3,418				1,105	1,843	221	2,309			
Average Total Cash Cost (R\$/unit²)	922	1,302	50	599				1,020	1,494	61	583			

¹ Excludes the Hedge Accounting effect of foreign-denominated debt and PPA US\$
² Units: Sugar: ton, Ethanol: m³, Energy: MWh, Yeast: ton, Total: Kgs of sugar and ethanol TRS/ton
³ Sugar: '000 tons, Ethanol: '000 m³, Energy: '000 MWh, Yeast: ton, Total: '000 tons of TRS
 Data do not include the IFRS 16 impacts

The average sugar cash cost in 1Q21 was R\$922/ton, down 9.6% from 1Q20. Given that in the same period the average sugar sales price increased 16.9%, the product's margin increased by 20.9 p.p. For ethanol, the total average cash cost in 1Q21 was R\$1,302/m³, down 12.8% from 1Q20, while the average sales price fell 14.3%, leading to compression in the product margin of 1.4 p.p. in relation to 1Q20.

SELLING EXPENSES

	1Q21	1Q20	Chg. (%)
R\$ '000			
Port Costs / Freight	40,006	20,043	99.6%
Other - non-recurring	5,288	5,429	-2.6%
Selling Expenses	45,293	25,472	77.8%
TRS Sold ('000 tons)	854	621	37.6%
% of Net Revenue	4.4%	3.4%	1.0 p.p.

In 1Q21, selling expenses amounted to R\$45.3 million, increasing 77.8% compared to 1Q20, mainly due to the increase in costs associated with the higher sugar export volume, as described in the section 'Net Revenue – Sugar.'

CASH GENERAL & ADMINISTRATIVE EXPENSES

	1Q21	1Q20	Chg. (%)
R\$ '000			
Personnel and Management Fee	30,307	29,691	2.1%
Taxes, Fees, Contributions and Contingencies	4,506	5,840	-22.8%
General Expenses and Third-Party Services	11,252	8,518	32.1%
Stock Option - Vested	1,489	3,942	-62.2%
Total recurring General and Administrative Expenses	47,554	47,991	-0.9%
Stock Option - Non-vested	4,636	-	n.m.
Total General and Administrative Expenses	52,190	47,991	8.8%

In 1Q21, general and administrative expenses, excluding non-recurring items, amounted to R\$47.6 million, virtually stable in relation to 1Q20.

EBITDA

EBITDA RECONCILIATION	1Q21	1Q20	Chg. (%)
R\$ '000			
Adjusted EBITDA	491,443	348,383	41.1%
Adjusted EBITDA Margin	48.0%	46.1%	1.8 p.p.
Non-cash effect of IFRS 16	90,023	56,195	60.2%
Equity Income	941	408	130.6%
Stock Option - Non-vested	(4,636)	-	n.m.
Adjustment to Maturity of Hedge Accounting	(602)	(442)	36.2%
Real Estate Results	(1,296)	-	n.m.
Biological Assets	11,039	9,274	19.0%
Book EBITDA¹	586,912	413,818	41.8%
EBITDA Margin	57.5%	55.0%	2.4 p.p.
(-) Depreciation and Amortization	(365,357)	(281,416)	29.8%
(-) Financial Revenue (Expense), net	(72,853)	(63,516)	14.7%
(=) Operating Income	148,702	68,885	115.9%

¹ - Book EBITDA includes the IFRS 16 impacts

Adjusted EBITDA

Adjusted EBITDA was R\$491.4 million in 1Q21 (Adjusted EBITDA margin of 48.0%), increasing 41.1% from 1Q20. The improvement in EBITDA in the period was driven mainly by the better average sugar sales price (+16.9%) and the higher sugar sales volume (+92.4%).

Main Adjustments to EBITDA in 1Q21

1) IFRS 16 - Leases

Reduction in Adjusted EBITDA compared to Book EBITDA of R\$90.0 million in 1Q21, related to lease payments that no longer are recognized as cash cost (COGS), but as amortization of right-of-use.

2) Biological assets

Positive non-cash effect of R\$11.0 million on accounting costs (COGS) in 1Q21 from the mark-to-market adjustment of biological assets, explained by the recovery in the ethanol price (as detailed before).

3) Debt maturity (Hedge Accounting)

Expense related to the effect from exchange variation on debt settled in 1Q21 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\$5.4/USD, we adjusted the amount of R\$0.6 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period.

Operating Cash Generation (Adjusted Cash EBIT)

	1Q21	1Q20	Chg.%	LTM 1Q21	LTM 1Q20	Chg.%
R\$ '000						
Adjusted Cash EBIT	299,092	167,202	78.9%	852,971	568,064	50.2%
Adjusted EBIT Margin	29.2%	22.1%	7.0 p.p.	21.5%	16.9%	4.6 p.p.
(-) Maintenance Capex	(192,351)	(181,181)	6.2%	(1,147,281)	(1,023,463)	12.1%
Adjusted EBITDA	491,443	348,383	41.1%	2,000,252	1,591,527	25.7%
Adjusted EBITDA Margin	48.0%	46.1%	1.8 p.p.	50.4%	47.3%	3.1 p.p.
Non Recurring Operating Income (Expenses)	-	-	n.m.	341,068	106,499	220.3%
Non-cash effect of IFRS 16 on COGS	90,023	56,195	60.2%	308,732	56,195	n.m.
Equity Income	941	408	130.6%	1,158	1,017	13.9%
Stock Option - Non-vested	(4,636)	-	n.m.	(4,384)	-	n.m.
Adjustment to Maturity of Hedge	(602)	(442)	36.2%	(1,273)	(3,285)	-61.2%
Real Estate Results	(1,296)	-	n.m.	(1,296)	-	n.m.
Biological Assets	11,039	9,274	19.0%	(28,837)	8,994	n.m.
Book EBITDA	586,912	413,818	41.8%	2,615,419	1,760,947	48.5%
EBITDA Margin	57.5%	55.0%	2.4 p.p.	66.0%	52.5%	13.5 p.p.

Adjusted Cash EBIT in 1Q21 was R\$299.1 million (Adjusted EBIT margin of 29.2%), increasing 78.9% from 1Q20. In the last 12 months, Adjusted Cash EBIT amounted to R\$853.0 million (Adjusted EBIT margin of 21.5%), advancing 50.2% on the prior-year period. The improvement in the comparison period reflects primarily the same factors that benefitted EBITDA.

HEDGE

The following table summarizes our sugar and U.S. dollar hedge positions:

Sugar

	Volume Hedged (tons)	Avg. Price (US\$ c/p)	Avg. Price ¹ (R\$/Ton)
Sugar			
2020/2021 crop year	801,103	13.08	1,315
2021/2022 crop year	320,259	12.23	1,424

On June 30, 2020, sugar prices to be invoiced in the 2020/2021 crop year were hedged for ~801 thousand tons at the average price of US\$13.08 cents/pound, or approximately R\$1,315/ton¹, which represents the **~95% of own cane** (based on the maximum sugar production mix). For the 2021/2022 crop year, our sugar prices were hedged for ~320.3 thousand tons at an average price of US\$12.23 cents/pound, or R\$1,424/ton¹, which represents **~28% of own cane** (considering the same production and mix of the 20/21 crop year).

U.S. Dollar

On June 30, 2020, the Company held open positions through Non-Deliverable Forwards (NDFs) and derivative instruments, which are used to hedge its exports, for the 2020/2021 and 2021/2022 crop years, as shown in the following table:

U.S. Dollar	TOTAL		SUGAR		ETHANOL	
	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)
2020/2021 crop year	189,576	4.41	168,560	4.32	21,016	5.11
2021/2022 crop year	50,377	5.34	50,377	5.34	-	-

On June 30, 2020, the volume of NDFs in U.S. dollar represented approximately **77% of own cane hedged** for the 2020/2021 crop year (based on the maximum share of sugar in the production mix). For the 2021/2022 crop year, the volume of NDFs in U.S. dollar represented **~16% of own cane hedged** (considering the same production and mix of the 20/21 crop year).

¹ For the amount of sugar hedged for prices, but not for currency variation, the spot exchange rate of R\$5.20/USD was adopted.

Hedge Accounting

Effect on Shareholders' Equity

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

The quarterly results are recorded in shareholders' equity ("Adjustments to Book Value"), net of deferred income and social contribution taxes. In the period from April to June 2020, 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 1Q21, a total of US\$0.3 million in debt was recognized, with the exchange rate of R\$3.3/US\$ adopted for the translation of net revenue. Considering that the exchange rate used for the purposes of cash flow in the period was R\$5.4/US\$, we made an adjustment of R\$0.6 million in net revenue and EBITDA to provide a better understanding of the Company's operating cash generation.

NET FINANCIAL RESULT

FINANCIAL RESULTS	1Q21	1Q20	Chg.%
R\$ '000			
Financial Revenues	18,800	46,171	-59.3%
Financial Expenses	(55,313)	(82,513)	-33.0%
Exchange Variation/Derivative/Others	5,581	(16,175)	n.m.
Financial Revenues/Expenses	(30,932)	(52,517)	-41.1%
IFRS16 Effects - APV	(43,217)	(12,191)	254.5%
Real Estate Results	1,296	1,192	8.7%
Net Financial Result	(72,853)	(63,516)	14.7%
Debt Hedge	(602)	(442)	36.2%
Financial Result	(73,455)	(63,958)	14.8%

The net financial result in 1Q21 was an expense of R\$72.9 million, up 14.7% on 1Q20, mainly reflecting the non-cash increase in adjusted to present value (APV) from the adoption of IFRS 16, given the effect from the 12.9% increase in the Consecana price on the remeasurement conducted in 4Q20.

COPERSUCAR

Obligations

On June 30, 2020, São Martinho recognized on its Balance Sheet debt of R\$189.3 million with Copersucar. In accordance with the terms negotiated for the withdrawal from Copersucar, we will continue to recognize 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 sureties.

Rights

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

Among the lawsuits to which Copersucar is an active party, it should be highlighted the one that ordered the Federal Government to compensate for damages arising from the setting of lagged prices for sugar and ethanol sales made in the 1980s.

In June 2017, the first court-ordered debt security of R\$5.6 billion (of which the Company is entitled to R\$730.5 million) was issued, and in June 2018, the supplementary court ordered debt security amounting to R\$10.6 billion (of which the Company is entitled to R\$1.4 billion) was issued.

The excess of R\$2.2 billion alleged by the Federal Government (of which the Company is entitled to R\$286.3 million) is still under dispute.

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

At transferring the funds, Copersucar withheld a portion for litigation seeking damages and the levy of PIS and COFINS taxes, while undertaking to transfer the corresponding amounts in the event of a favorable outcome.

The Company, in coordination with the measures taken by Copersucar, has also filed a lawsuit, supported by a judicial deposit, claiming the suspension of the enforceability of IRPJ/CSLL/PIS/COFINS payment. The judicial deposit was provided for within the line item: "Taxes with suspended payment" As provided for in the Agreement for Purchase and Sale of Shares of Santa Cruz S.A. Açúcar e Alcool ("USC"), the Company transferred R\$27,432 thousand to Luiz Ometto Participações S.A.

After the transfer and withholding of the amounts related to court expenses and taxes under litigation, the balance of R\$349,056 thousand was recorded within "Other expenses (income), net". As management classifies the receipt of the remainder credit as probable, but not practically certain, the related amount has not been recorded.

DEBT

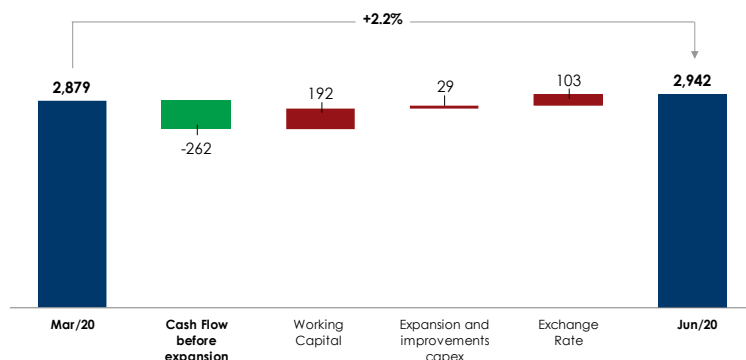
INDEBTEDNESS	Jun/20	Mar/20	Chg.%
R\$ '000			
Agribusiness Certificate of Receivables (CRA)	1,875,207	1,922,913	-2.5%
BNDES / FINAME	404,454	423,457	-4.5%
Rural Credit	40	278,536	-100.0%
Working Capital	30,685	131,780	-76.7%
PESA	1,475	8,349	-82.3%
PPE (Export prepayment)	1,651,658	1,445,015	14.3%
International Finance Corporation (IFC)	494,336	474,334	4.2%
NCE (Export Credit Note)	137,780	130,058	5.9%
Obligations from Acquisitions - LOP	26,917	26,934	-0.1%
Gross Debt	4,622,553	4,841,376	-4.5%
Cash and Cash Equivalents	1,680,689	1,962,065	-14.3%
Net Debt	2,941,864	2,879,311	2.2%
Net Debt / LTM EBITDA - R\$	1.47 x	1.55 x	-5.1%
Net Debt / LTM EBITDA - USD ¹	1.20 x	1.23 x	-2.2%
LTM Adjusted EBITDA	2,000,252	1,857,191	7.7%

1 - LTM EBITDA average daily PTAX: mar/20: R\$ 4.11 and jun/20: R\$ 4.47

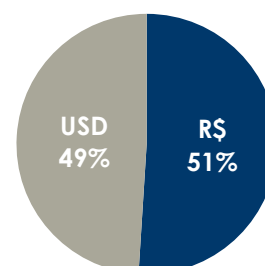
In June 2020, the Company's net debt totaled R\$2.9 billion, increasing 2.2% from March 2020, mainly reflecting the higher working capital needs in the period. The following charts show the details of the debt position:

Changes in Net Debt

R\$ - Million

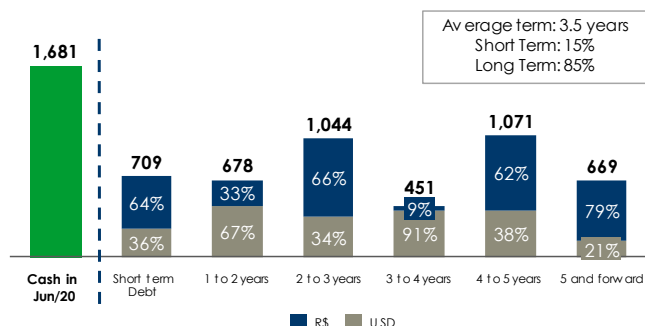


Currency – Gross Debt



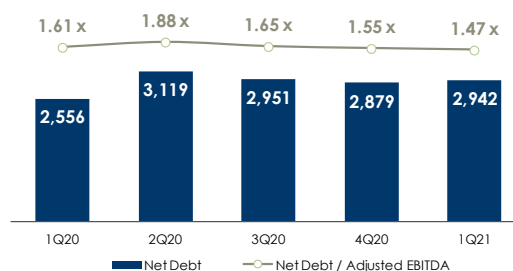
Debt Amortization Schedule

R\$ - Million



Net Debt/LTM EBITDA Evolution

R\$ - Million



CAPEX

(Maintenance)	1Q21	1Q20	Chg.%
R\$ '000			
Sugarcane Planting - Renovation	66,458	57,822	14.9%
Off-Season Maintenance (Industrial/Agricultural)	-	6,302	n.m.
Crop Treatment	125,894	117,057	7.5%
Total	192,351	181,181	6.2%
(Operational Improvements)			
Equipment/Replacements	8,093	17,648	-54.1%
Environmental/Legal	9,668	6,863	40.9%
Total	17,761	24,511	-27.5%
(Upgrading/Expansion)			
Sugarcane Planting - Expansion / Biological Assets	-	5,811	n.m.
Projects (Industrial/Agricultural)	13,179	21,679	-39.2%
Total	13,179	27,489	-52.1%
GRAND TOTAL	223,292	233,181	-4.2%

Maintenance capex came to R\$192.4 million in 1Q21, 6.2% higher than in 1Q20, basically reflecting the seasonal increase in the soil preparation and crop treatment area due to the earlier harvest, which is an effect that will be normalized by the end of the crop year, combined with the effect from exchange variation on the price of the imported inputs used in crop treatments.

Capex related to operational improvements comprise the investments in: (i) agricultural and industrial equipment to capture productivity gains; and (ii) environmental/legal: investments primarily in adapting to regulatory requirements and in fire prevention and suppression systems. These investments in 1Q21 came to R\$17.8 million, down 27.5% from 1Q20, explained by the lower investments in equipment acquisitions, which offset the higher investments in environmental/legal, mainly in fire suppression systems.

Expansion capex amounted to R\$13.2 million in 1Q21, down 52.1% compared to 1Q20.

CASH INCOME

São Martinho's cash income in 1Q21 totaled R\$148.0 million, increasing 122.5% compared to 1Q20. The improvement in the indicator mainly reflects: (i) the growth in adjusted EBITDA in the period; and (ii) the negative effect in 1Q20 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	1Q21	1Q20	Chg. (%)
R\$ '000			
Net Income	115,706	91,463	26.5%
Non-cash effect of IFRS 16 on Net Income before taxes	11,305	7,355	53.7%
Income Tax booked	32,996	(22,578)	n.m.
Income Tax paid	(969)	(879)	10.2%
Biological Asset/Others	(11,039)	(8,832)	25.0%
Cash Income	147,999	66,529	122.5%
Total Shares ex-treasury (in thousand)	346,744	350,803	-1.2%
Cash Income per share	0.43	0.19	125.1%

6th SHARE BUYBACK PROGRAM

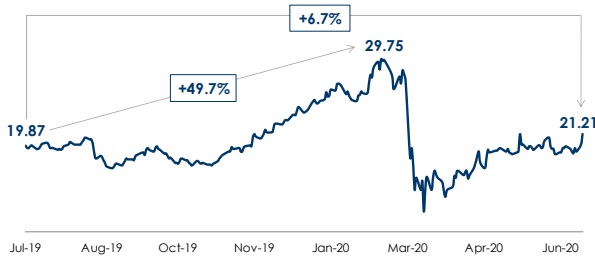
As previously announced, the Company's Board of Directors approved, on June 24, 2019, the 6th share buyback program for up to 10 million shares, valid through December 2020, with the goal of efficiently investing cash funds to maximize capital allocation and value creation for shareholders. As of June 2020, the Company had acquired 4,058,400 shares at the average price of R\$18.36/share, for total investment of R\$74.5 million.

RENOVABIO – CBIOS

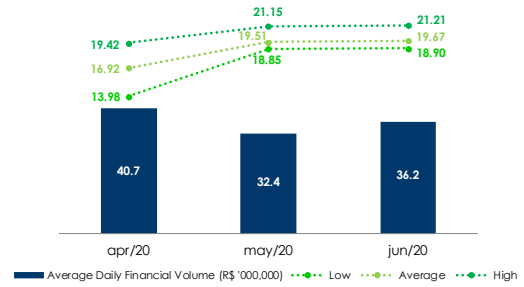
As described in the notes to the financial statements as of June 30, 2020, the Company had 458 thousand pre-Cbios decarbonization credits issued. The commercialization of these credits, after their issue, should be made mainly to fuel distributors, who have acquisition targets established by RenovaBio. Considering that, as of the end of the quarter, there was no active market for trading Cbios, it was impossible to measure and estimate the market value or fair value of these assets.

CAPITAL MARKETS

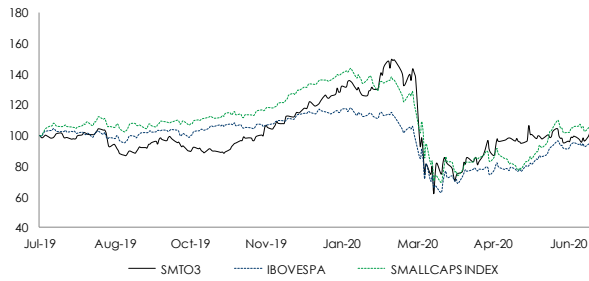
SMT03 Performance - 12 months in R\$



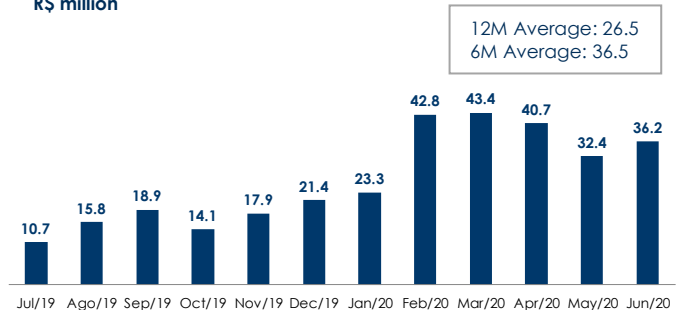
Price and Volume in R\$



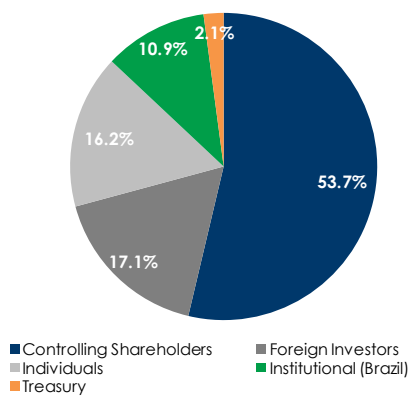
SMT03 Performance vs. Stock Indexes Base 100



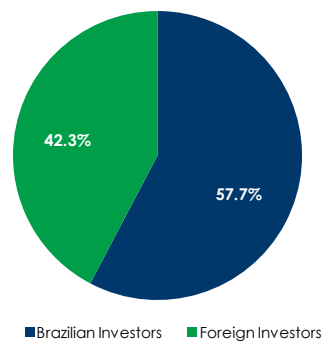
Average Daily Trading Volume R\$ million



Ownership Structure Base: June 30, 2020



Free-Float Composition



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DISCLAIMER

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

FINANCIAL STATEMENTS

The figures in the following tables consider the impacts from the adoption of IFRS 16 as of the 2019/20 crop year, in accordance with the consolidated and audited Financial Statements, including the effects detailed in section 'Adoption of IFRS 16/CPC 06 – Leases' on page 3 of this earnings release.

INCOME STATEMENT

SÃO MARTINHO S.A. - CONSOLIDATED	1Q21	1Q20	Chg. (%)
R\$ '000			
Gross Revenue	1,083,399	825,987	31.2%
Deductions from Gross Revenue	(62,379)	(74,258)	-16.0%
Net Revenue	1,021,020	751,729	35.8%
Cost of Goods Sold (COGS)	(701,229)	(553,031)	26.8%
Gross Profit	319,791	198,698	60.9%
Gross Margin (%)	31.3%	26.4%	4.9 p.p
Operating income (expenses)	(98,236)	(66,297)	48.2%
Selling Expenses	(45,293)	(25,472)	77.8%
General and Administrative Expenses	(56,329)	(51,931)	8.5%
Equity in the results of investees	941	408	130.6%
Other income (expenses), net	2,445	10,698	-77.1%
Operating profit	221,555	132,401	67.3%
Finance income (costs)	(72,853)	(63,516)	14.7%
Finance income	20,096	47,363	-57.6%
Finance costs	(98,531)	(94,704)	4.0%
Monetary and foreign exchange variations, net	(1,333)	(16,017)	-91.7%
Derivatives	6,915	(158)	n.m.
Profit before taxation	148,702	68,885	115.9%
Income Tax and Social Contribution - Current	(15,561)	25,213	n.m.
Income Tax and Social Contribution - Deferred	(17,435)	(2,635)	n.m.
Net Income	115,706	91,463	26.5%
Net Margin (%)	11.3%	12.2%	-0.8 p.p

BALANCE SHEET (ASSETS)

SÃO MARTINHO S.A. CONSOLIDATED - ASSETS		
R\$ '000		
ASSETS	Jun/20	Mar/20
CURRENT ASSETS		
Cash and Cash Equivalents	236,859	92,066
Financial investments	1,405,092	1,831,504
Trade Receivables	266,659	165,829
Derivative Financial Instruments	98,729	224,635
Inventories and advance to suppliers	720,183	366,177
Biological Assets	689,676	713,547
Taxes Recoverable	20,438	12,303
Income Tax and Social Contribution	56,770	71,257
Dividends Receivable	249	-
Other assets	16,639	8,832
TOTAL CURRENT ASSETS	3,511,294	3,486,150
NON-CURRENT ASSETS		
Long-term Receivables		
Financial investments	38,738	38,494
Inventories and advance to suppliers	81,866	49,916
Derivative Financial Instruments	34,630	28,977
Trade Receivables	34,326	27,192
Receivables from Copersucar	10,017	10,017
Taxes Recoverable	72,733	81,046
Judicial Deposits	271,901	271,060
Other Assets	57,159	57,159
	601,370	563,861
Investments	34,560	33,868
Property, plant and equipment	5,665,225	5,844,505
Intangible assets	459,922	465,689
Right-of-use assets	1,647,850	1,719,453
TOTAL NON-CURRENT ASSETS	8,408,927	8,627,376
TOTAL ASSETS	11,920,221	12,113,526

BALANCE SHEET (LIABILITIES)

SÃO MARTINHO S.A. CONSOLIDATED - LIABILITIES		
R\$ '000		
<u>LIABILITIES AND EQUITY</u>	<u>Jun/20</u>	<u>Mar/20</u>
CURRENT LIABILITIES		
Borrowings	697,575	591,024
Leases payable	49,987	40,168
Agricultural partnership payable	226,727	203,835
Derivative Financial Instruments	319,392	406,473
Trade Payables	268,067	174,524
Payables to Copersucar	10,892	10,892
Salaries and Social Charges	201,536	150,249
Taxes recoverable	41,673	34,730
Income tax and social contribution payable	6,377	4,985
Dividends Payable	54,694	54,694
Advances from Customers	10,953	34,710
Acquisition of Ownership interests	11,647	11,664
Other Liabilities	19,272	18,527
TOTAL CURRENT LIABILITIES	1,918,792	1,736,475
NON-CURRENT LIABILITIES		
Borrowings	3,898,061	4,223,418
Leases payable	359,021	377,954
Agricultural partnership payable	1,008,497	1,053,956
Derivative Financial Instruments	68,363	79,022
Payables to Copersucar	178,443	179,189
Taxes recoverable	8,923	7,283
Deferred Income Tax and Social Contribution	726,029	746,226
Provision for Contingencies	98,439	100,283
Acquisition of Ownership interests	15,270	15,270
Taxes with suspended payment	242,188	242,188
Other Liabilities	5,586	5,586
TOTAL NON-CURRENT LIABILITIES	6,608,820	7,030,375
EQUITY		
Share Capital	1,696,652	1,696,652
Capital Reserve	9,418	9,418
Treasury Shares	(131,361)	(131,361)
Carrying Value Adjustments	533,529	607,022
Revenue Reserves	1,182,573	1,164,945
Retained Earnings	101,798	-
TOTAL EQUITY	3,392,609	3,346,676
TOTAL LIABILITIES AND EQUITY	11,920,221	12,113,526

CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	1Q21	1Q20
R\$ '000		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year	115,706	91,463
Adjustments		
Depreciation and amortization	177,092	149,244
Biological assets harvested	185,029	129,409
Change in the fair value of biological assets	(11,039)	(9,274)
Amortization of electricity contracts	3,236	2,763
Equity in the results of investees	(941)	(408)
Gains (losses) on investments and PP&E written off	(67)	279
Interest, monetary and exchange variations, net	41,251	55,360
Derivative financial instruments	84,101	1,210
Setup of provision for contingences, net	2,849	4,350
Income tax and social contribution	32,996	(22,578)
Adjustment to present value and other adjustments	42,542	2,013
	672,755	403,831
Changes in asset and liabilities		
Trade receivables	(106,997)	(13,054)
Inventories	(206,286)	(250,626)
Taxes recoverable	15,846	(26,371)
Derivative financial instruments	(73,482)	11,380
Other assets	(8,238)	(72,249)
Trade payables	97,529	110,503
Salaries and social charges	51,287	46,539
Taxes payable	(5,194)	5,836
Payables to Copersucar	(1,256)	(3,676)
Provision for contingencies - settlement	(2,236)	(4,913)
Other liabilities	(23,012)	(3,124)
	410,716	204,076
Cash from operations	410,716	204,076
Payment of interest on borrowings	(135,117)	(62,427)
Income tax and social contribution paid	(969)	(879)
Net cash provided by (used in) operating activities	274,630	140,770
CASH FLOW FROM INVESTING ACTIVITIES		
Investment of funds	(215)	(608)
Purchases of property, plant and equipment and intangible assets	(35,543)	(57,059)
Additions to biological assets (planting and crop treatments)	(192,121)	(180,393)
Financial investments	438,586	(197,585)
Proceeds from sale of property, plant and equipment	5,835	3,191
Net cash provided by (used in) investing activities	216,542	(432,454)
CASH FLOW FROM FINANCING ACTIVITIES		
Amortization of lease and partnership agreements	(112,341)	(105,002)
Proceeds from borrowings – third parties	143,481	416,087
Repayment of borrowings - third parties	(377,519)	(140,593)
Net cash provided by (used in) financing activities	(346,379)	170,492
Increase (decrease) in cash and cash equivalents	144,793	(121,192)
Cash and cash equivalents at the beginning of the period	92,066	197,607
Cash and cash equivalents at the end of the period	236,859	76,415