

Earnings Release 1Q23

2022/2023



AUGUST 8, 2022

 **São Martinho**

Net Income of R\$ 221.6 million in 1Q23 - up 16.6%

Adjusted EBITDA was R\$ 875.7 million in 1Q23 (+27.2%), with **Adjusted EBITDA margin** of 51.3%, the improved performance in the period mainly reflects the higher ethanol sales volume (+40.8%) and the increase in the average sales price for the fuel of 29.6%¹ in the quarter, as well as the higher average sales price for sugar (+13.8%);

Adjusted EBIT was R\$ 464.0 million in 1Q23 (+26.3%), with **margin** of 27.2%;

Net Income was R\$ 221.6 million (+16.6%) in 1Q23;

Cash Net Income totaled R\$ 226.8 million (-4.9%) in 1Q23;

Operating Cash Flow² totaled R\$ 556.4 million in 1Q23, growing 24.3% from 1Q22;

Leverage ratio ended quarter at 0.96x Net Debt/Adjusted EBITDA;

On June 30, 2022, our sugar prices for the 2022/23 crop year were hedged for ~604,000 tons of sugar at a price of ~R\$ 2,261/ton. For the 2023/24 crop year, ~165,000 tons of sugar were hedged at a price of ~R\$ 2,374/ton;

1- Price net of taxes and selling expenses; 2 - Operating Cash Flow = Adjusted EBITDA - Maintenance Capex.

Executive Summary

In R\$ '000

	1Q23	4Q22	1Q22	Δ 1Q23/4Q22	Δ 1Q23/1Q22
Net Revenue ¹	1,707,416	1,486,287	1,321,555	14.9%	29.2%
Adjusted EBITDA	875,694	770,756	688,307	13.6%	27.2%
Adjusted EBITDA Margin	51.3%	51.9%	52.1%	-0.6 p.p	-0.8 p.p
Adjusted EBIT	464,016	404,532	367,356	14.7%	26.3%
Adjusted EBIT Margin	27.2%	27.2%	27.8%	0.0 p.p	-0.6 p.p
Net Income before taxes	217,015	296,800	242,731	-26.9%	-10.6%
Net Income without IFRS 16 effects	236,501	200,424	189,709	18.0%	24.7%
Non-cash effect of IFRS 16 on Net Income	(14,922)	25,003	382	-159.7%	n.m
Net Income	221,579	225,427	190,091	-1.7%	16.6%
Cash Income	226,798	219,047	238,406	3.5%	-4.9%
Net Debt / EBITDA	0.96 x	0.93 x	1.02 x	4.2%	-5.3%

1- Excludes the Hedge Accounting effect of foreign-denominated debt and PPA USC and includes Financial Income from Real Estate Development
Data do not include the IFRS 16 impacts, except net income before taxes and net income

SMT03: R\$ 43.89 per share

Market Capitalization: R\$ 15.5 billion

*On June 30, 2022

Earnings Conference Call

August 9, 2022 (Tuesday)

3 p.m. Brasília time +55 11 3181-8565

2 p.m. New York time +1 412 717-9627

Code: São Martinho

Webcast access: [click here](#)

HD Web Phone access, [click here](#)

As mentioned in prior quarters, starting from the fiscal year ended March 31, 2020, the Company adopted the standard IFRS 16 – Leases, which introduced a single model for the balance-sheet recognition of leases and agricultural partnerships. The right to use such assets was recognized as an asset and the payment obligations as a liability.

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

1. **Liabilities:** outstanding balances of the agreements in force on the date of first-time adoption, net of advances and discounted by the average rate of future agreements of Interbank Deposits – DI (nominal coupon rate), with terms equivalent to those of partnership and lease agreements; and
2. **Assets:** 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 Income Statements for 1Q23:

Results	1Q23		
	Before IFRS 16	Impacts	After IFRS 16
Net Revenue¹	1,707,416	-	1,707,416
COGS	(1,158,663)	42,266	(1,116,397)
(-) Leasing Payment	-	145,467	→
(+) Right-of-Use Amortization	-	(103,201)	→
Gross Income	548,753	42,266	591,019
Selling/General/Adm. Expenses	(67,552)	48	(67,504)
(-) Leasing Payment	-	349	
(+) Right-of-Use Amortization	-	(301)	
Op. Income Before Financial Result	481,201	42,314	523,515
Financial Result/Debt Hedge	(241,577)	(64,923)	(306,500)
Lease APV	-	(64,923)	→
Income before Taxes	239,625	(22,610)	217,015
Income tax	(3,123)	7,687	4,564
Net Income	236,501	(14,922)	221,579
Book EBITDA	885,184	145,817	1,031,001
Leasing Payment	-	(145,817)	(145,817)
Other adjustments	(9,490)	-	(9,490)
Adjusted EBITDA	875,694	-	875,694

We no longer account for cash cost of agrarian contracts

We now account for contract amortization

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

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

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

Operating Highlights

	1Q23	1Q22	Δ 1Q23/1Q22
Crushed Sugarcane ('000 tons)	7,811	8,723	-10.5%
Own	5,210	5,866	-11.2%
Third Parties	2,601	2,857	-9.0%
Agricultural Yield (ton/ha)	71	75	-5.4%
Average TRS (kg/ton)	127	135	-6.1%
Production			
Sugar ('000 tons)	416	545	-23.7%
Ethanol ('000 m³)	325	358	-9.0%
Cogeneration ('000 MWh)	264	303	-12.8%
TRS Produced	991	1,178	-15.9%
Mix Sugar - Ethanol	44% - 56%	48% - 52%	

In the first quarter of the 2022/23 crop year, the Company crushed 7.8 million tons of sugarcane, 10.5% less than in the same period last crop year. The decline mainly is explained by the effects from weather events in the period, such as drought and frosts (the latter occurring in July 2021 on part of our fields, which affected yields on part of the area harvested in 1Q23 and in July 2022), with these effects not recurring in subsequent periods.

Another effect was the delay in the start of crushing at the São Martinho and Santa Cruz mills in 1Q23, which began in the second half of April 2022.

Considering the 6.1% decrease in average Total Recoverable Sugar (TRS) to 126.8 kg/ton in the quarter, total TRS produced fell by 15.9% year over year. Note that this effect is seasonal and is in line with the production guidance we announced to the market in June 2022 via a Material Fact notice.

Financial Highlights

In R\$ '000

	1Q23	4Q22	1Q22	Δ 1Q23/4Q22	Δ 1Q23/1Q22
Net Revenue ¹	1,707,416	1,486,287	1,321,555	14.9%	29.2%
Adjusted EBITDA	875,694	770,756	688,307	13.6%	27.2%
Adjusted EBITDA Margin	51.3%	51.9%	52.1%	-0.6 p.p.	-0.8 p.p.
Adjusted EBIT	464,016	404,532	367,356	14.7%	26.3%
Adjusted EBIT Margin	27.2%	27.2%	27.8%	0.0 p.p.	-0.6 p.p.
Consolidated Balance Sheet Indicators					
Total Assets	14,944,303	14,433,247	11,420,132	3.5%	30.9%
Shareholders' Equity	5,371,618	5,292,527	4,524,925	1.5%	18.7%
EBITDA (LTM)	3,312,256	3,141,952	2,384,379	5.4%	38.9%
Net Debt	3,195,039	2,907,877	2,428,304	9.9%	31.6%
Net Debt / EBITDA (LTM)	0.96 x	0.93 x	1.02 x	4.2%	-5.3%
Net Debt / Shareholders' Equity	59.5%	54.9%	53.7%		

¹ - Excludes the Hedge Accounting effect of foreign-denominated debt and PPA USC and includes Financial Income from Real Estate Development
Data do not include the IFRS 16 impacts

According to published by UNICA, since the start of the crop year until July 16, 2022, Brazil's Center-South region processed around 234.0 million tons of sugarcane, approximately 9.5% less than in the same period last crop year, while the state of São Paulo registered a 11.1% decline in the period.

The production mix for the Center-South region consisted of 56.5% ethanol production, which totaled around 11.3 billion liters, down 5.4% from the prior-year period. Of the total ethanol production, around 4.2 billion liters were anhydrous (-3.3% vs. 1Q22) and 7.1 billion liters were hydrous (-6.6%).

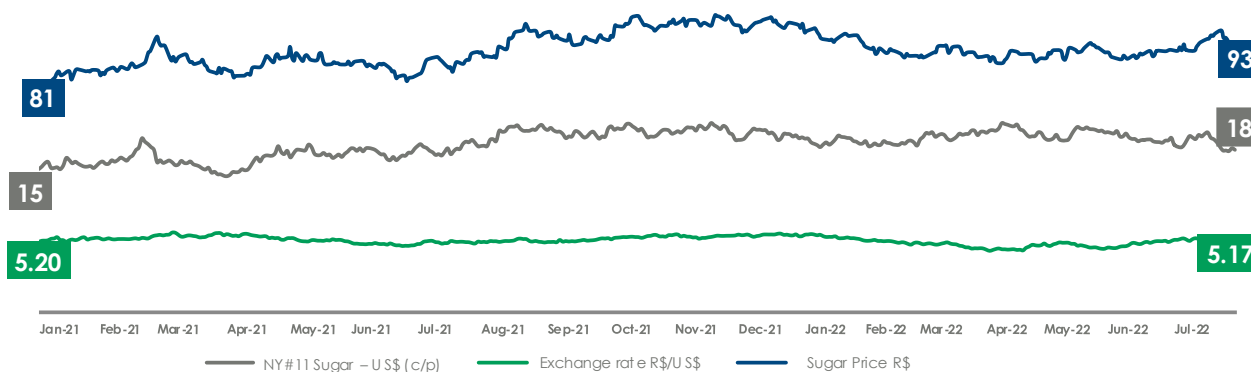
Sugar corresponded to 43.5% of the production mix, with production totaling 12.7 million tons, down 17.4% from the same period last crop year.

Below we comment briefly on the market scenario for sugar and ethanol.

Sugar Market

As noted above, the Center-South produced around 12.7 million tons of sugar in the first quarter of the 2022/23 crop year, about 17.4% less than in the prior-year period, mainly explained by the lower yields this crop year and by the decision of producers to prioritize ethanol production in the period.

As the following chart shows, the sugar price curve (in USD cents/pound) has been presenting prices at resilient levels, mainly due to the favorable supply/demand scenario for the product, which, combined with the variation in the Brazilian real during the period, the price in R\$/ton for Brazilian producers increased considerably year on year.



It is important to note that, on June 30, 2022, we had around 604,000 tons of sugar for the 2022/23 crop year hedged at a price of around R\$ 2,261¹/ton, which represents a good part of the exposure of own cane as well as significant improvement in relation to the prices practiced in the previous crop year. For more details, see the 'Hedge' section in this earnings release.

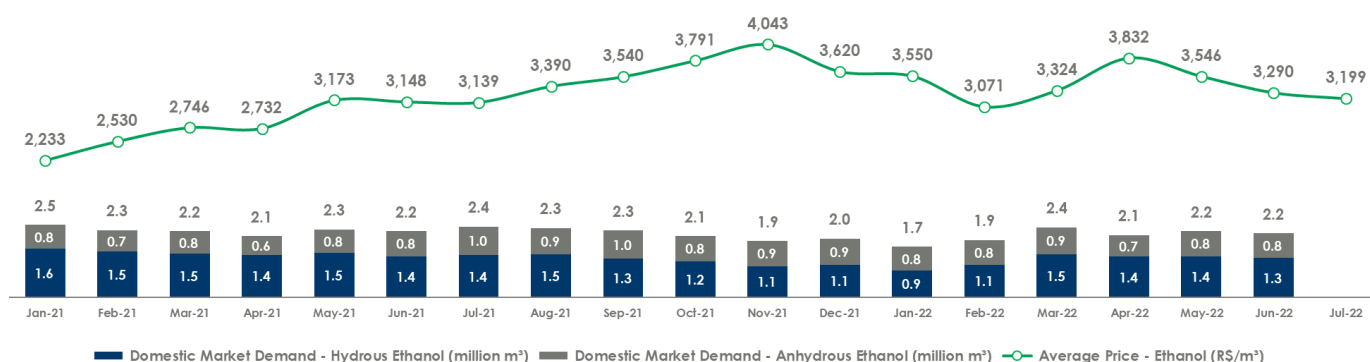
¹ Price net of taxes and selling expenses.

Ethanol Market

In line with the production data mentioned above, Brazil's Center-South region produced around 11.3 billion liters of ethanol, down 5.4% from the same period last crop year

As the following chart shows, during the 2021/22 crop year, the average ethanol price rose considerably in relation to prior months, chiefly reflecting the higher oil prices during the period, combined with the impact from the sugarcane crop shortfall, as mentioned above.

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



Source: UNICA and CEPEA/ESALQ

Net Revenue Breakdown

In R\$ '000

	1Q23	4Q22	1Q22	Δ 1Q23/4Q22	Δ 1Q23/1Q22
Domestic Market	945,980	700,145	663,895	35.1%	42.5%
Sugar	48,571	43,215	55,923	12.4%	-13.1%
Ethanol	749,846	631,217	487,123	18.8%	53.9%
Energy	64,673	1,015	76,258	n.m	-15.2%
Yeast	11,609	740	14,930	n.m	-22.2%
Real Estate Development	2,357	3,646	10,490	-35.4%	-77.5%
CBIOs	39,666	7,290	10,373	n.m	n.m
Others	29,258	13,022	8,798	124.7%	n.m
Export Market	761,436	786,142	657,660	-3.1%	15.8%
Sugar	465,135	634,692	575,354	-26.7%	-19.2%
Ethanol	294,427	151,450	82,306	94.4%	n.m
Yeast	1,874	-	-	n.m.	n.m.
Net Revenue¹	1,707,416	1,486,287	1,321,555	14.9%	29.2%
Sugar	513,706	677,907	631,277	-24.2%	-18.6%
Ethanol	1,044,273	782,667	569,429	33.4%	83.4%
Energy	64,673	1,015	76,258	n.m	-15.2%
Yeast	13,483	740	14,930	n.m	-9.7%
Real Estate Development	2,357	3,646	10,490	-35.4%	-77.5%
CBIOs	39,666	7,290	10,373	n.m	n.m
Others	29,258	13,022	8,798	124.7%	n.m

1- Excludes the Hedge Accounting effect of foreign-denominated debt and PPA USC and includes Financial Income from Real Estate Development

Net Revenue

In the first quarter of the 2022/23 crop year, São Martinho's net revenue grew 29.2% in relation to the same quarter of 2021/22 crop year, to R\$ 1,707.4 million, driven mainly by the higher sales volume (+40.8%) and higher average sales price for ethanol (+30.3%), as well as the higher average sales price for sugar (+13.8%).

Main Adjustments to Net Revenue for 1Q23

1. Debt Maturity (Hedge Accounting)

Expenses related to exchange variation on liabilities settled in 1Q23 and designated as Hedge Accounting were made at an exchange rate of R\$4.6/USD. Considering that the exchange rate used for the purposes of cash flow in the period was R\$4.9/USD, we made an adjustment to net revenue and EBITDA of R\$ 5.3 million to provide a better understanding of the Company's cash generation in the period.

2. Purchase Price Allocation (PPA)

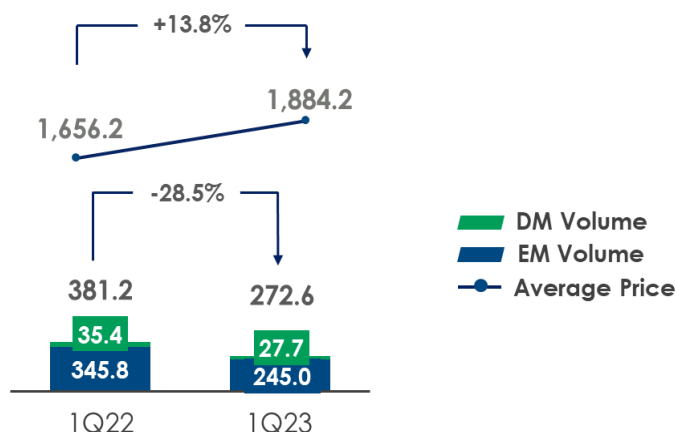
In 1Q23, there was a non-cash expense of R\$ 2.3 million, reflecting the amortization of goodwill paid for the future profitability of the cogeneration volume of the Santa Cruz Mill.

3. Financial Income from Real Estate Development

Adjustment of operating revenue from real estate development related to the present value adjustment (AVP) of "trade accounts receivable" to better represent the performance of the business. This adjustment was already being made by the Company in the financial result. Accordingly, we adjusted net revenue downward by R\$ 2.4 million in 1Q23.

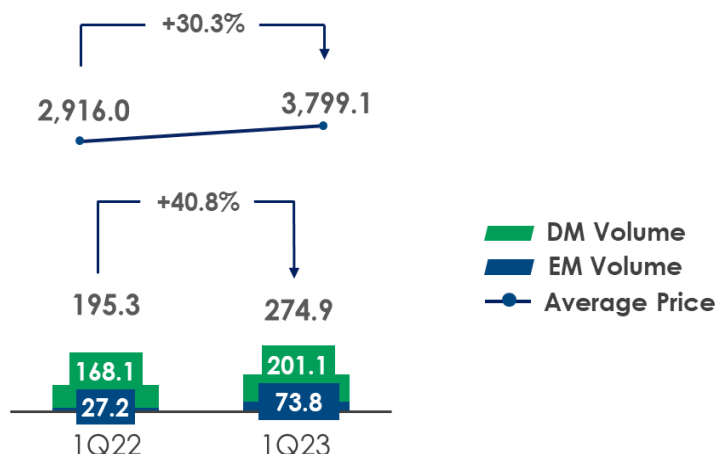
The following charts present a breakdown of the Company's net revenue by product in 1Q23 compared with the prior-year period.

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



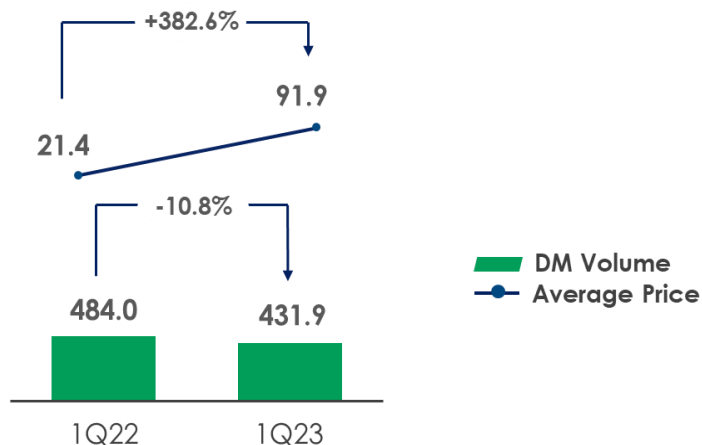
Net revenue from sugar sales amounted to R\$ 513.7 million in 1Q23, decreasing 18.6% from the same quarter last crop year, explained by the decisions to prioritize ethanol in the production mix and to concentrate sugar sales over the coming quarters to capture higher prices in R\$/ton.

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



Net revenue from ethanol sales totaled R\$ 1,044.3 million in 1Q23, advancing 83.4% compared to 1Q22. The better performance in the quarter compared to the same quarter last crop year mainly reflects the better price dynamics resulting from the combination of higher oil prices and the higher volume of ethanol exports at a net price above that of the domestic market.

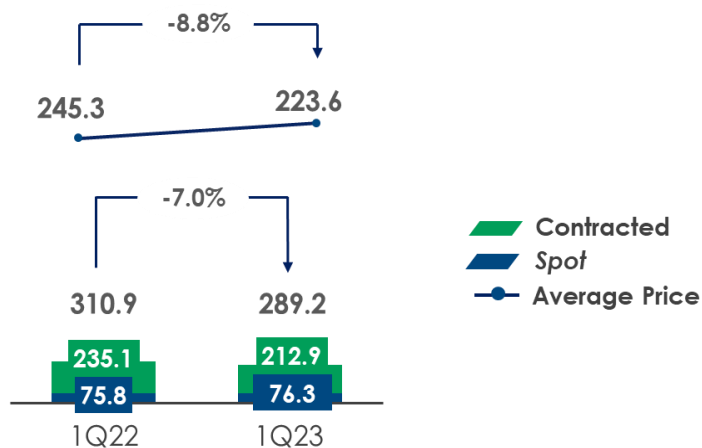
CBIOs - Volume ('000 CBIOs) and Average Price (R\$/CBIO)



In 1Q23, we sold around 432,000 CBIOs (decarbonization credits) at an average net price of R\$ 91.9/CBIO (net of PIS/Cofins and income tax of 15% withheld at source).

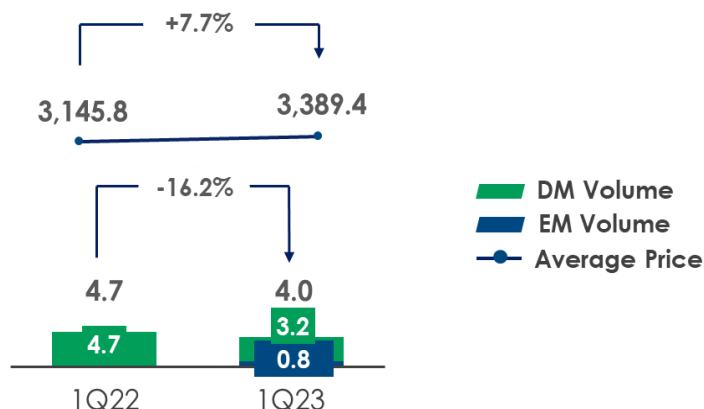
Moreover, as described in the notes to the financial statements, on June 30, 2022, São Martinho had approximately 36,000 CBIOs issued but not sold.

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



Net revenue from cogeneration sales totaled R\$ 64.7 million in 1Q23, down 15.2% from 1Q22, due to the lower spot price (PLD) and sales volume in the period, explained by the lower production resulting from the delay in the start of the harvest in the São Martinho and Santa Cruz mills.

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



Net revenue from yeast sales totaled R\$ 13.5 million in 1Q23, decreasing 9.7% from the same quarter last crop year, explained by the lower sales volume resulting from the delay in the start of harvest operations.

Real Estate Development

The following table presents an overview of the projects and their sales and percentage of completion (POC) since their launch until June 2022.

Real Estate Development	Type	City	Area (m²)	Launched date	Total lots sold	POC Position
Recanto das Paineiras	Residence	Iracemápolis	376,567	June-14	99.9%	100.0%
Park Empresarial - I	Industrial	Iracemápolis	182,684	September-14	81.4%	100.0%
Park Empresarial - II	Industrial	Iracemápolis	133,794	October-17	35.7%	100.0%
Nova Pradópolis - Phase I	Residence	Pradópolis	246,937	December-15	90.0%	100.0%
Nova Pradópolis - Phase II	Residence	Pradópolis	255,750	July-17	81.5%	100.0%
Nova Iracemápolis	Residence	Iracemápolis	315,027	August-20	98.5%	99.5%
Jardim Irajá	Residence	Américo Brasiliense	161,214	October-20	93.5%	99.8%

In 1Q23, we recognized net revenue of R\$ 2.4 million and cash generation of R\$ 5.1 million.

	1Q23 Net Revenue	1Q23 Cash Generation	Portfolio June/22
Current Projects	2,357	2,794	51,386
Land Monetization	-	2,256	10,450
Total (R\$ '000)	2,357	5,050	61,836

1 - Includes Financial Income from Real Estate Development

As mentioned earlier, the Company began to adjust its operating revenue from real estate development for the present value adjustment (AVP) of trade accounts receivable to better represent the performance of this business. This adjustment was already being made by the Company in the financial result. Accordingly, we adjusted net revenue by R\$ 2.4 million in 1Q23.

Cash COGS

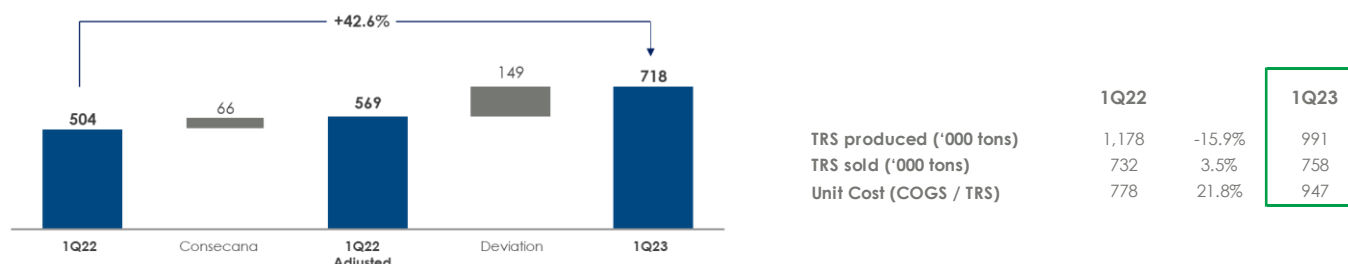
In R\$ '000

	1Q23	4Q22	1Q22	Δ 1Q23/4Q22	Δ 1Q23/1Q22
Agricultural Costs	623,884	542,259	448,529	15.1%	39.1%
Suppliers	352,973	258,756	256,106	36.4%	37.8%
Partnerships	153,930	188,088	115,018	-18.2%	33.8%
Own Sugarcane	116,981	95,415	77,405	22.6%	51.1%
Industrial	81,877	56,919	55,688	43.8%	47.0%
Other Products	54,005	(2,366)	26,725	n.m	102.1%
Total COGS	759,766	596,812	530,942	27.3%	43.1%
TRS Sold ('000 Tons)	758	749	732	1.2%	3.5%
Unit Cost (Sugar and Ethanol Cash COGS / TRS)	947	799	688	18.6%	37.7%

Data do not include the IFRS 16 impacts

Cash COGS in 1Q23 amounted to R\$ 759.8 million, up 43.1% from the same quarter last crop year, mainly due to: (i) the effect from the lower dilution of fixed costs, explained by the 16% decline in production (in TRS produced) in the period, given the lower yield and delay in the start of the harvest at the São Martinho and Santa Cruz mills; (ii) the variation in input prices, especially diesel; and (iii) the higher Consecana price (+16.8%) in the period.

If we exclude the effect from the variation in Consecana prices, as mentioned above, unit Cash COGS (considering sugar and ethanol) increased 21.8% in the period.



The following table details the variation in average unit cash COGS for sugar and ethanol from the same period in the 2020/21 crop year.

Cash COGS by Product

In R\$ '000

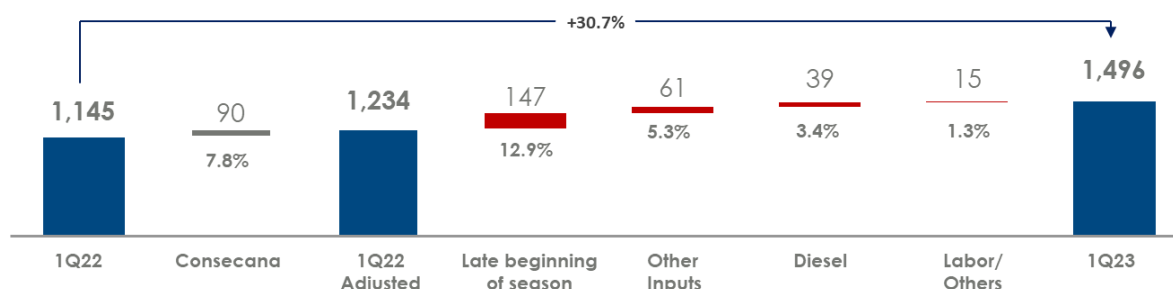
	1Q23	4Q22	1Q22	Δ 1Q23/4Q22	Δ 1Q23/1Q22
COGS (Cash)	717,664	598,318	503,555	19.9%	42.5%
Sugar	282,606	311,126	287,691	-9.2%	-1.8%
Ethanol	435,058	287,191	215,864	51.5%	101.5%
Average Cash Cost Per Unit¹					
Sugar Cash Cost	1,037	892.6	754.8	16.1%	37.3%
Ethanol Cash Cost	1,604	1,280.9	1,105.4	25.2%	45.1%

Data do not include the IFRS 16 impacts

1- Sugar in R\$/ton; Ethanol in R\$/m³

In the 2022/23 crop year, unit Cash Cost increased by about 31%, mainly explained by the same effects that affected unit Cash COGS, as mentioned in the previous section, as well as by the higher input prices in the quarter, especially diesel and fertilizers.

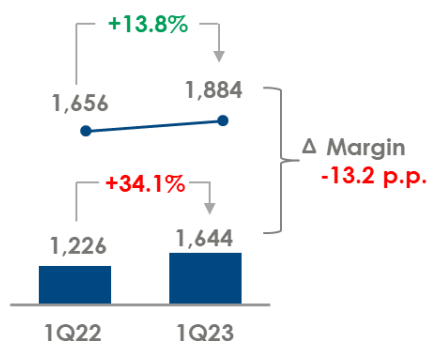
The following chart shows the contribution of each of these impacts in the composition of the cash cost of sugar and ethanol equivalent in R\$/TRS:



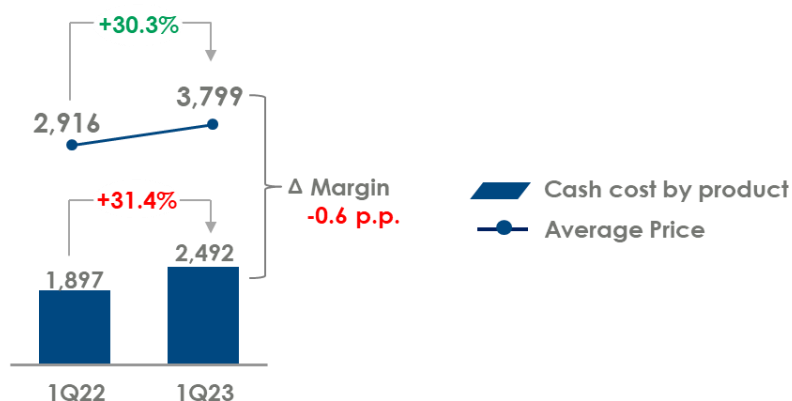
The following charts detail cash cost by product (sugar and ethanol).

Cash Cost by Product

Sugar – (R\$/ton)



Ethanol – (R\$/m³)



Cash Cost: Cash COGS + Selling, General and Administrative Expenses – Depreciation/Amortization + Maintenance Capex;

1Q23 EARNINGS

SELLING, GENERAL & ADMINISTRATIVE EXPENSES

SMTO
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Selling Expenses

In R\$ '000

	1Q23	4Q22	1Q22	Δ 1Q23/4Q22	Δ 1Q23/1Q22
Selling Expenses	46,171	48,557	43,450	-4.9%	6.3%
Port Costs / Freight	42,457	44,761	39,526	-5.1%	7.4%
Other	3,714	3,796	3,924	-2.2%	-5.4%
TRS Sold ('000 tons)	758	749	732	1.2%	3.5%
% of Net Revenue	2.7%	3.3%	3.3%	-0.6 p.p	-0.6 p.p

Selling expenses amounted to R\$ 46.2 million in the first quarter of the crop year, increasing 6.3% in relation to 1Q22, mainly explained by the expenses related with the higher volume of ethanol exports and by the higher diesel prices between periods.

Cash General & Administrative Expenses

In R\$ '000

	1Q23	4Q22	1Q22	Δ 1Q23/4Q22	Δ 1Q23/1Q22
Labor/ General Expenses ¹	53,346	52,142	55,258	2.3%	-3.5%
Stock Option - Vested/ Others	(1,541)	13,642	726	-111.3%	n.m
Subtotal	51,805	65,784	55,984	-21.2%	-7.5%
Litigation	9,146	3,564	5,038	156.6%	81.5%
Stock Option - Non-vested	(8,661)	18,455	15,015	-146.9%	-157.7%
Total General and Administrative Expenses	52,290	87,803	76,037	-40.4%	-31.2%

1- General expenses includes initiatives with COVID-19

In 1Q23, general and administrative expenses amounted to R\$52.3 million, decreasing 31.2% from the same quarter last crop year, basically reflecting the noncash accounting effect of the mark-to-market adjustment of the Company's share price under the virtual stock options program, given the impact from the decline in share price in 1Q23.

EBITDA Reconciliation

In R\$ '000

	1Q23	4Q22	1Q22	Δ 1Q23/4Q22	Δ 1Q23/1Q22
Adjusted EBITDA	875,694	770,756	688,307	13.6%	27.2%
Adjusted EBITDA Margin	51.3%	51.9%	52.1%	-0.6 p.p.	-0.8 p.p.
Non-cash effect of IFRS 16	145,817	191,855	95,283	-24.0%	53.0%
Real Estate Results	(2,374)	(3,609)	(3,318)	-34.2%	-28.5%
Equity Income	1,169	2,077	1,675	-43.7%	-30.2%
Adjustment to Maturity of Hedge Accounting	(5,321)	-	(28,064)	n.m.	-81.0%
Stock Option - Non-vested	8,661	(18,455)	(15,015)	-146.9%	-157.7%
Biological Assets	7,355	13,509	1,679	-45.6%	n.m.
Book EBITDA¹	1,031,001	956,133	740,547	7.8%	39.2%
EBITDA Margin	60.7%	64.5%	57.5%	-3.8 p.p.	3.2 p.p.
(-) Depreciation and Amortization	(515,181)	(497,072)	(368,379)	3.6%	39.9%
(-) Financial Revenue (Expense), net	(298,805)	(162,261)	(129,437)	84.2%	130.8%
(=) Operating Income	217,015	296,800	242,731	-26.9%	-10.6%

Adjusted EBITDA

In 1Q23, Adjusted EBITDA was R\$ 875.7 million (+27.2%), with Adjusted EBITDA margin of 51.3%. The improved performance in the period mainly reflects the higher ethanol sales volume (+40.8%) and the increase in the fuel's average sales price of 29.6%¹ in the quarter, as well as the higher average sales price for sugar (+13.8%).

¹ Price net of taxes and selling expenses.

Main Adjustments to EBITDA in 1Q23:

1. IFRS16 – Leases

Positive adjustment due to the R\$ 145.8 million decline in EBITDA in 1Q23 related to lease payments that ceased to be recognized as cash cost (COGS) but as amortization of right of use.

2. Biological assets

Negative adjustment due to the positive contribution of R\$ 7.4 million in accounting costs (COGS) – with no cash effect – in 1Q22 related to the mark-to-market adjustments of biological assets due to the variation in Consecana price and of CBIOs.

3. Debt maturity (Hedge Accounting)

Expenses related to exchange variation on liabilities settled in 1Q23 and designated as Hedge Accounting were designated at an exchange rate of R\$4.6/USD. Considering that the exchange rate used for the purposes of cash flow in the period was R\$4.9/USD, we made an adjustment to net revenue and EBITDA of R\$ 5.3 million to provide a better understanding of the Company's cash generation in the period.

1Q23 EARNINGS

EBITDA & EBIT

Adjusted Cash EBIT

In R\$ '000

	1Q23	4Q22	1Q22	Δ 1Q23/4Q22	Δ 1Q23/1Q22
Adjusted Cash EBIT	556,400	185,121	447,697	n.m	24.3%
Adjusted EBIT Margin	32.6%	12.5%	33.9%	20.1 p.p.	-1.3 p.p.
(-) Maintenance Capex	(319,294)	(585,635)	(240,610)	-45.5%	32.7%
Adjusted EBITDA	875,694	770,756	688,307	13.6%	27.2%
Adjusted EBITDA Margin	51.3%	51.9%	52.1%	-0.6 p.p.	-0.8 p.p.
Non-cash effect of IFRS 16	145,817	191,855	95,283	-24.0%	53.0%
Real Estate Results	(2,374)	(3,609)	(3,318)	-34.2%	-28.5%
Equity Income	1,169	2,077	1,675	-43.7%	-30.2%
Adjustment to Maturity of Hedge	(5,321)	-	(28,064)	n.m.	-81.0%
Stock Option - Non-vested	8,661	(18,455)	(15,015)	-146.9%	-157.7%
Biological Assets	7,355	13,509	1,679	-45.6%	n.m
Book EBITDA	1,031,001	956,133	740,547	7.8%	39.2%
EBITDA Margin	60.7%	64.5%	57.5%	-3.8 p.p.	3.2 p.p.

Adjusted Cash EBIT in 1Q23 was R\$ 556.4 million (Adjusted EBIT margin of 32.6%), increasing 24.3% from 1Q22, with the increase reflecting the same factors that positively impacted Adjusted EBITDA in the period.

Hedge Position

In R\$ '000

	Sugar hedged (tons)	Avg. Price (USD c/p)	Avg. Price (R\$/ton)
22/23 Harvest	604,194	17.93	
	543,740	17.93	2,275
	60,453	17.93	not hedged
23/24 Harvest	164,956	19.57	
	160,733	19.57	2,375
	4,223	19.57	not hedged

The table above details our sugar hedge position on June 30, 2022, considering the portion fixed in USD and open positions.

The open positions in USD on this date are mainly related to the exposure on the purchase of dollarized inputs for the crop year, as well as other obligations denominated in foreign currency.

Hedge Accounting Effects:

1. On Shareholders' Equity

As of 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 tax and social contribution. In the period from April to June 2022, we recorded an increase in shareholders' equity of R\$ 42.5 million.

2. On Income Statement

Expenses related to exchange variation on liabilities settled in 1Q23 and designated as Hedge Accounting were designated at an exchange rate of R\$4.6/USD. Considering that the exchange rate used for the purposes of cash flow in the period was R\$4.9/USD, we made an adjustment to net revenue and EBITDA of R\$ 5.3 million to provide a better understanding of the Company's cash generation in the period.

Financial Result

In R\$ '000

	1Q23	4Q22	1Q22	Δ 1Q23/4Q22	Δ 1Q23/1Q22
Financial Revenues	81,029	40,325	11,433	100.9%	n.m
Financial Expenses	(197,449)	(120,166)	(40,952)	64.3%	n.m
Financial Revenues/Expenses	(116,420)	(79,841)	(29,519)	45.8%	n.m
Exchange Variation/Derivative/Others	(119,836)	(62,905)	(55,960)	90.5%	114.1%
IFRS16 Effects - APV	(64,923)	(23,124)	(47,276)	180.8%	37.3%
Real Estate Results	2,374	3,609	3,318	-34.2%	-28.5%
Net Financial Result	(298,805)	(162,261)	(129,437)	84.2%	130.8%

The net financial result in 1Q23 was an expense of R\$ 298.8 million, an increase of 130.8% from 1Q22. The variation between quarters was mainly due to: (i) the variation in the average Selic rate in the period; (ii) the variation in annual IPCA inflation and; (iii) the increase in average net debt between periods, basically reflecting the investments made. Additionally, the net financial result was impacted by the higher Exchange Variation (114.1% vis-à-vis 1Q22) resulting from (i) the higher future SELIC in relation to the expected IPCA and (ii) expenses that were contained in equity (through Hedge Accounting).

Debt

In R\$ '000

	Jun/22	Mar/22	Chg.%
Agribusiness Certificate of Receivables (CRA)	1,673,447	1,687,193	-0.8%
BNDES / FINAME	979,969	903,297	8.5%
Working Capital/ NCE (Export Credit Note)	761,610	710,342	7.2%
Debentures	1,653,926	1,596,996	3.6%
PPE (Export prepayment)	157,882	190,395	-17.1%
International Finance Corporation (IFC)	806,134	800,127	0.8%
Obligations from Acquisitions - LOP	3,668	3,668	0.0%
Gross Debt	6,036,635	5,892,017	2.5%
Cash and Cash Equivalents	2,841,596	2,984,141	-4.8%
Net Debt	3,195,039	2,907,876	9.9%
Net Debt / LTM EBITDA - R\$	0.96 x	0.93 x	4.2%
Net Debt / LTM EBITDA - USD ¹	0.89 x	0.94 x	-5.3%
LTM Adjusted EBITDA	3,312,256	3,141,952	5.4%

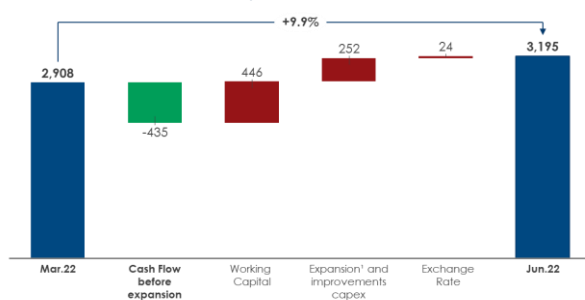
1 - LTM EBITDA average daily PTAX: Mar/22: R\$ 5.34 and Jun/22: R\$ 5.25

In June 2022, the Company's net debt stood at R\$ 3.2 billion, increasing 9.9% from March 2022. The increase the period mainly reflects the higher working capital needs in the period and the ongoing investments already announced by the Company.

The following charts show details of the debt position:

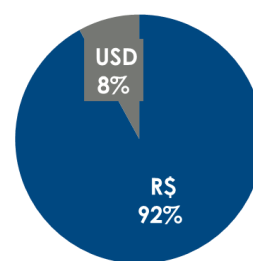
Changes in Net Debt

R\$ - million



*Includes sale of fixed assets/ Others

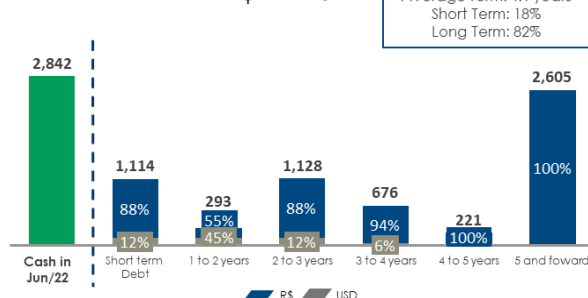
Currency - Net Debt*



*Includes SWAP contracts

Debt Amortization Schedule

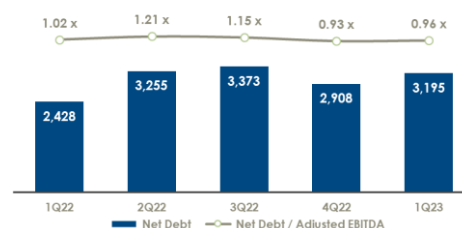
R\$ - million



■ R\$ ■ USD

Net Debt/LTM EBITDA Evolution

R\$ - million



1Q23 EARNINGS

CAPEX & CASH NET INCOME

Breakdown of CAPEX

In R\$ '000

	1Q23	4Q22	1Q22	Δ 1Q23/4Q22	Δ 1Q23/1Q22
Maintenance	319,294	585,635	240,610	-45.5%	32.7%
Sugarcane Planting - Renovation	100,868	176,999	80,691	-43.0%	25.0%
Off-Season Maintenance (Industrial/Agricultural)	14,027	248,636	410	-94.4%	n.m
Crop Treatment	204,399	160,000	159,508	27.7%	28.1%
Operational Improvements	35,721	61,908	30,266	-42.3%	18.0%
Equipament/Replacements	29,659	54,730	21,348	-45.8%	38.9%
Environmental/Legal	6,062	7,178	8,917	-15.5%	-32.0%
Upgrading/Expansion	209,553	229,564	161,631	-8.7%	29.6%
Corn Ethanol Project	83,083	93,068	102,012	-10.7%	-18.6%
UTE Phase II	86,943	94,709	5,702	-8.2%	n.m
Other Projects	39,527	41,787	53,917	-5.4%	-26.7%
GRAND TOTAL	564,567	877,107	432,508	-35.6%	30.5%

The Company's maintenance capex in 1Q23 amounted to R\$ 319.3 million, increasing 32.7% in the period. The higher capex is mainly explained by inflationary pressures on input prices, especially diesel and fertilizers, in the comparison period and by the longer intercrop period, given the postponement of the start of crushing operations to the second half of April at the São Martinho and Santa Cruz mills.

Capex related to operational improvements totaled R\$ 35.7 million in 1Q23, increasing 18% on 1Q22, mainly to replacement of part of the fleet.

Expansion capex in 1Q23 totaled R\$ 209.6 million, which is mainly explained by the investments in: (i) the Thermal Power Plant (A-6 auction in 2019); and (ii) the Corn Ethanol Project; as well as (iii) the lower amounts related to the closed water circuit project at the São Martinho Mill, among other projects.

Cash Net Income

In R\$ '000

	1Q23	4Q22	1Q22	Δ 1Q23/4Q22	Δ 1Q23/1Q22
Net Income	221,579	225,427	190,091	-1.7%	16.6%
Non-cash effect of IFRS 16 on Net Income before taxes	22,610	(37,884)	(579)	-159.7%	n.m
Income Tax booked	(4,564)	71,373	52,640	-106.4%	-108.7%
Income Tax paid	(5,472)	(26,360)	(2,067)	-79.2%	164.7%
Biological Asset/Others	(7,355)	(13,509)	(1,679)	-45.6%	n.m
Cash Income	226,798	219,047	238,406	3.5%	-4.9%
Total Shares ex-treasury (in thousand)	346,375	346,375	346,375	0.0%	0.0%
Cash Income per share	0.65	0.63	0.69	3.5%	-4.9%

Obligations

On June 30, 2022, São Martinho recognized on its Balance Sheet debt of R\$ 168.2 million with Copersucar. In accordance with the terms negotiated for the withdrawal from Copersucar, we will continue to book under "Obligations – Copersucar" all liabilities related to the contingencies currently in litigation conducted by the attorneys at Copersucar. The total amount of these obligations is secured by bank sureties.

Rights

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

Included among the lawsuits to which Copersucar is an active party is a claim against the Federal Government to compensate for damages arising from a mandatory freeze of prices of sugar and ethanol in the 1980s. In June 2017, the first court-ordered debt security of R\$ 5.6 billion was issued (of which R\$ 730.5 million is due to the Company), and in June 2018, the supplementary court-ordered debt security of R\$ 10.6 billion (of which R\$ 1.4 billion is due to the Company) was issued. The excess of R\$ 2.2 billion alleged by the Federal Government (of which R\$ 286.3 million is due to the Company) is still under dispute.

Copersucar transferred to the Company the amounts received from the Federal Government in connection with this lawsuit, as shown below.

Copersucar Rights

In R\$ '000

	2019	2020	2021	2022
	March/2019	December/2019	Setember/2020	October/2021
First court-ordered debt security	906,287	1,059,956	1,083,223	1,174,400
Complementary court-ordered debt security	-	1,724,797	1,974,578	2,138,858
Precatórios Copersucar	906,287	2,784,753	3,057,801	3,313,258
PIS/COFINS withheld by Copersucar	(13,927)	(42,794)	(46,990)	(50,915)
Luiz Ometto Participações S.A. transfer	(3,313)	(24,119)	(26,700)	(28,697)
Other retentions and expenses	(26,824)	(46,665)	(51,266)	(55,348)
Other net Revenues SMSA	106,499	349,056	383,040	415,476

Upon transferring the funds, Copersucar withheld a portion to cover legal costs and the levy of PIS and COFINS taxes, while undertaking to transfer the corresponding amounts in the event of a favorable outcome. At March 31, 2022, the balance receivable from Copersucar was R\$ 154,626, recognized within "Other non-current assets". The Company, in coordination with the measures taken by Copersucar, 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: "Taxes with suspended payment".

As established in the Agreement for Purchase and Sale of Shares of Santa Cruz S.A. Açúcar e Álcool ("USC"), the Company transferred R\$ 82,829 to Luiz Ometto Participações S.A.

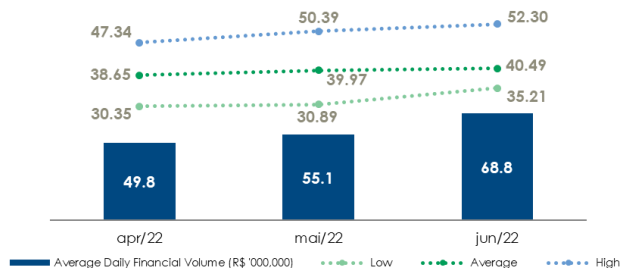
SMTO3 Performance - 12 months

In R\$



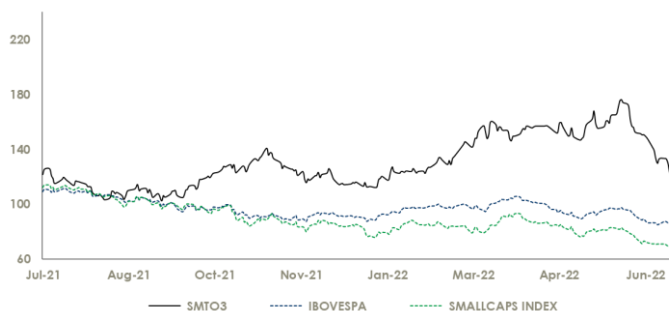
Price and Volume

In R\$



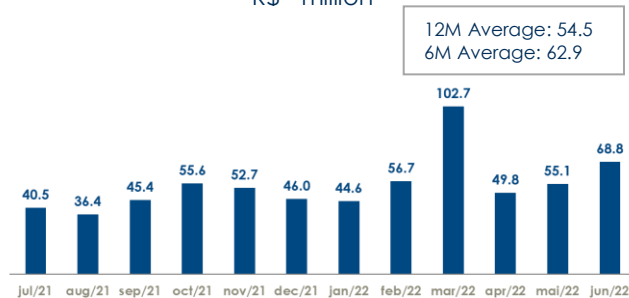
SMTO3 Performance vs. Stock Indexes

Base 100



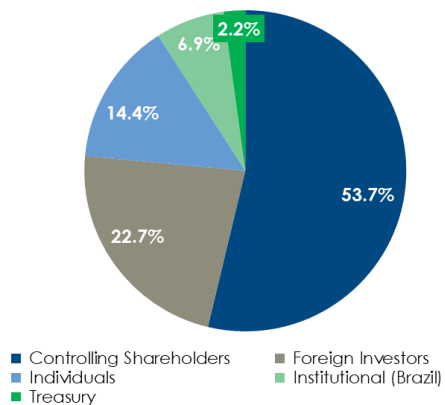
Average Daily Trading Volume

R\$ - million

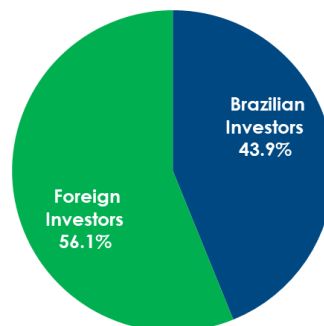


Ownership structure

Base: June 30, 2022



Free-Float composition



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.

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 – Consolidated; In R\$ '000

	1Q23	1Q22	Chg. (%)
Gross Revenue	1,803,467	1,373,141	31.3%
Deductions from Gross Revenue	(106,008)	(85,362)	24.2%
Net Revenue	1,697,459	1,287,779	31.8%
Cost of Goods Sold (COGS)	(1,116,397)	(796,654)	40.1%
Gross Profit	581,062	491,125	18.3%
Gross Margin (%)	34.2%	38.1%	-3.9 p.p
Operating income (expenses)	(65,242)	(118,957)	-45.2%
Selling Expenses	(46,171)	(43,450)	6.3%
General and Administrative Expenses	(55,406)	(79,345)	-30.2%
Equity in the results of investees	1,169	1,675	-30.2%
Other income (expenses), net	35,166	2,163	1525.8%
Operating profit	515,820	372,168	38.6%
Finance income (costs)	(298,805)	(129,437)	130.8%
Finance income	83,404	14,749	465.5%
Finance costs	(262,374)	(88,229)	197.4%
Monetary and foreign exchange variations, net	(132,540)	(30,421)	335.7%
Derivatives	12,705	(25,536)	-149.8%
Profit before taxation	217,015	242,731	-10.6%
Income Tax and Social Contribution - Current	(21,387)	(4,703)	354.8%
Income Tax and Social Contribution - Deferred	25,951	(47,937)	-154.1%
Net Income	221,579	190,091	16.6%
Net Margin (%)	13.1%	14.8%	-1.7 p.p

Balance Sheet (Assets)

São Martinho – Consolidated; In R\$ '000

	Jun/22	Mar/22
CURRENT ASSETS		
Cash and Cash Equivalents	175,087	114,903
Financial investments	2,654,310	2,857,864
Trade Receivables	431,737	225,707
Derivative Financial Instruments	125,042	228,718
Inventories and advance to suppliers	1,108,231	764,676
Biological Assets	1,123,103	1,219,281
Taxes Recoverable	71,403	60,303
Income Tax and Social Contribution	65,956	65,232
Dividends Receivable	1,723	-
Other assets	16,419	16,958
TOTAL CURRENT ASSETS	5,773,011	5,553,542
NON-CURRENT ASSETS		
Long-term Receivables		
Financial investments	12,199	11,374
Inventories and advance to suppliers	183,243	146,986
Derivative Financial Instruments	185,150	169,679
Trade Receivables	28,085	26,872
Taxes Recoverable	238,154	177,844
Income Tax and Social Contribution	8,617	8,617
Judicial Deposits	768,232	749,361
Other Assets	156,471	156,471
	1,580,151	1,447,204
Investments	45,074	45,565
Property, plant and equipment	6,898,625	6,771,209
Intangible assets	459,821	457,313
Right-of-use assets	3,207,780	3,084,312
TOTAL NON-CURRENT ASSETS	12,191,451	11,805,603
TOTAL ASSETS	17,964,462	17,359,145

Balance Sheet (Liabilities)

São Martinho – Consolidated; In R\$ '000

	Jun/22	Mar/22
CURRENT LIABILITIES		
Borrowings	1,110,132	581,515
Leases payable	99,472	82,475
Agricultural partnership payable	534,121	500,376
Derivative Financial Instruments	258,448	245,145
Trade Payables	566,475	415,082
Payables to Copersucar	9,075	12,753
Salaries and Social Charges	235,760	191,786
Taxes recoverable	45,412	34,871
Income tax and social contribution payable	11,455	7,597
Dividends Payable	104,377	5,971
Advances from Customers	44,209	27,269
Acquisition of Ownership interests	3,668	3,669
Other Liabilities	38,664	66,546
TOTAL CURRENT LIABILITIES	3,061,268	2,175,055
NON-CURRENT LIABILITIES		
Borrowings	4,922,835	5,306,834
Leases payable	636,027	539,057
Agricultural partnership payable	1,882,319	1,884,943
Derivative Financial Instruments	12,832	34,585
Payables to Copersucar	159,156	161,277
Deferred Income Tax and Social Contribution	1,062,210	1,111,225
Provision for Contingencies	96,041	87,006
Taxes with suspended payment	745,214	725,834
Other Liabilities	3,971	14,904
TOTAL NON-CURRENT LIABILITIES	9,520,605	9,865,665
EQUITY		
Share Capital	2,681,571	2,681,571
Treasury Shares	(139,997)	(139,997)
Carrying Value Adjustments	1,055,086	1,100,474
Revenue Reserves	1,716,274	1,676,377
Retained Earnings	69,655	-
TOTAL EQUITY	5,382,589	5,318,425
TOTAL LIABILITIES AND EQUITY	17,964,462	17,359,145

Consolidated Cash Flow

São Martinho – Consolidated; In R\$ '000

	1Q23	1Q22
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year	221,579	190,091
Adjustments		
Depreciation and amortization	253,100	166,973
Biological assets harvested	259,819	199,011
Change in the fair value of biological assets	(7,355)	(1,679)
Amortization of electricity contracts	2,262	2,395
Equity in the results of investees	(1,169)	(1,675)
Gains (losses) on investments and PP&E written off	(948)	(260)
Interest, monetary and exchange variations, net	246,379	39,168
Derivative financial instruments	9,176	103,269
Setup of provision for contingences, net	9,215	5,146
Income tax and social contribution	(4,564)	52,640
Taxes with suspended payment	19,380	-
Adjustment to present value and other adjustments	65,311	47,276
	1,072,185	802,355
Changes in asset and liabilities		
Trade receivables	(212,522)	(57,225)
Inventories	(221,741)	(297,961)
Taxes recoverable	(69,971)	(19,359)
Derivative financial instruments	(18,792)	(6,390)
Other assets	(27,273)	(8,281)
Trade payables	165,596	215,951
Salaries and social charges	43,974	54,739
Taxes payable	(18,285)	(3,794)
Payables to Copersucar	(6,999)	(3,128)
Provision for contingencies - settlement	(5,183)	(4,298)
Other liabilities	(21,886)	(3,327)
Cash from operations	679,103	669,282
Payment of interest on borrowings	(108,488)	(45,654)
Income tax and social contribution paid	(5,472)	(2,067)
Net cash provided by operating activities	565,143	621,561
CASH FLOW FROM INVESTING ACTIVITIES		
Investment of funds	(91)	(111)
Purchases of property, plant and equipment and intangible assets	(268,765)	(212,434)
Additions to biological assets (planting and crop treatments)	(304,736)	(239,791)
Financial investments	268,553	(211,438)
Proceeds from sale of property, plant and equipment	2,443	1,102
Net cash provided by investing activities	(302,596)	(662,672)
CASH FLOW FROM FINANCING ACTIVITIES		
Amortization of lease and partnership agreements	(164,620)	(128,376)
Proceeds from borrowings – third parties	70,000	500,000
Repayment of borrowings - third parties	(107,743)	(573,855)
Net cash provided by financing activities	(202,363)	(202,231)
Increase (decrease) in cash and cash equivalents	60,184	(243,342)
Cash and cash equivalents at the beginning of the period	114,903	288,350
Cash and cash equivalents at the end of the period	175,087	45,008
Additional information		
Balance of financial investments (current assets)	2,654,310	1,281,242
Total available funds	2,829,397	1,326,250



INVESTOR RELATIONS

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 **São Martinho**

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