

**International Conference Call
São Martinho (SMT03)
2Q26 Earnings Results
Crop 2025/2026
November 11th, 2025**

Operator: Good afternoon, ladies and gentlemen, and thank you for waiting. Welcome to the **São Martinho S/A** conference call to discuss the results for the **2Q25-2026** crop year.

With us today are Mr. Felipe Vicchiato, CFO and head of IR, John Graham, IR Manager, and the Investor Relations team of São Martinho.

The audio and the slides of this conference call are being broadcast simultaneously over the web at www.saomartinho.com/ir. Participants will be able to choose which language they want to view the presentation. At the top of the screen, two tabs will appear with the options.

Please note that all participants will only be on listen-only mode during the Company's presentation. Then we will begin 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.

Now, I would like to turn the floor to Mr. Felipe Vicchiato, who will then begin the presentation.

Felipe Vicchiato:

Good afternoon, everyone, and thank you for joining us today at our conference call related to the 2Q of the 25-26 crop year.

Looking at our agenda today, we will start with an update of our CAPEX guidance with all of the financial highlights of the quarter, and then we will talk about our shipments and sales, what we expect to produce. We will talk about our corn production, and we will talk a little bit about our sugar production and hedging. And finally, we'll give you an overview on our debt position.

So in line with the results published yesterday, we updated our sugar cane guidance and also corn crushing. There was no change in corn crushing, you will notice that

there is no information that even sends corn production up or down, it's within our expectation. But now in the case of sugarcane production, we are reviewing the guidance because there was a 2.7% reduction in terms of crushing; we went from 22.6 to 22 million tons. And there was also lower TRS, 1.6% less than what we anticipated.

There are two important factors: One is lower TRS, which is pretty much related to a climate event, which was very unusual in Goiás, in our Boa Vista unit. Boa Vista is what usually increases our average TRS because of the location, and this year there was a very similar event, similar to that 2010 and 11 crop year when we had excess rainfall and excess heat in very unusual months of the year. And for that reason, the TRS for that unit was way below the average. And that had an impact, especially when we look at TRS and THS.

This climate effect should not prevail next year, and because the last time it happened was in the 2010-2011 crop year, that was 13-14 years ago. Moreover, there was a productivity drop in the Araraquara region, in the Santa Cruz mill, and in the Limeira region, in the Iracema mill, and this hampered productivity. So we lost all in all 600,000 tons and 1.6 of TRS, which led to minus 4.3% of TRS produced during that crop year.

And in early September, in the second week of September, we decided to change the mix so then we would be producing more ethanol given the strong drop in sugar prices, and this is something that has been happening for a while. So I will go back to this topic, but today sugar prices, sugar ethanol has a premium that we haven't seen for quite some time. So we migrated to ethanol production in our São Paulo units. I mean, in Goiás is 100% ethanol, so we continue producing there, but in São Paulo we will reduce 100% of ethanol starting September.

So not only does ethanol have better prices, but also its working capital is much lower. We can sell the product and receive the cash within a few days, and it is then faster for us to monetize our assets in terms of taxes to be recovered, so pricing is better, so it's better than sugar spot prices in addition to the issue related to working capital. So our total mix will be 49% sugar and 51% ethanol.

It is also worth mentioning that our crop year in the São Paulo mills will end around November 20th. So we still have 10 days of this harvest season, it will be a generalized stoppage in the São Paulo region. Goiás, we have a little bit more sugar cane because there is more acreage than mill itself, and also because of the climate, because it rained, and so we had to interrupt the crop year. But in São Paulo, when you look at data from Unica, you will see that there has been a significant reduction in crushing and acreage, in addition to a higher ethanol mix because we are looking for products with a better margin.

Next, we talk about another material fact, which was CAPEX update. At the end of the crop year, we always look at what we can improve in terms of giving an update

on CAPEX. There has been a 5% reduction, so we are talking about approximately R\$ 160 million, R\$ 170 million give or take, split into three major groups: Maintenance CAPEX – maintenance CAPEX is crop treatment, planting, etc. –; operating improvement, and that includes better efficiency because we won't have to buy new machinery; and also the other topic is modernization and expansion, and this is a matter of disbursement schedule that could happen further down the road.

When it comes to maintenance CAPEX, that adjustment, 50 million of it is agricultural-related, but it's not a scope reduction. It doesn't mean that we are buying less crop protection products or buying less fertilizers. This refers to the utilization of our fixed structure, which is here to stay. So probably next crop year, our guidance, this 50 million less of CAPEX will be materialized given the fact that I was able to make reductions on the structural fixed costs.

The remaining 30 million, part of it is the schedule, and the other part we will still revisit to see whether we will continue to do that in the next crop year or whether we can postpone that a bit further.

Modernization and expansion, this relates to disbursement schedule. Maybe this CAPEX at the end of the crop year will be lower if we won't be able to disburse 100% of the R\$ 400 million of the corn ethanol. I mean, you do the CAPEX, but disbursement occurs further on. So in terms of net debt, this number could be a bit better. But in terms of magnitude, we're talking about 2.8 billion of CAPEX in total. For the next crop year, our maintenance CAPEX should be below 1.9 billion without losing quality on the ag side or losing the scope. We're just trying to reduce the structure and optimize our assets now with the Santa Elisa assets that we acquired, we still have some homework to do. We don't have any numbers in mind. We should have something to share with you in March of next year.

Now, looking at the reported figures, our sales volume when we combine sugar and ethanol, which is approximately 15% lower than what we posted in the 2Q25. Once I sold less ethanol, less 21%, and I sold 25% less sugar, a combination is approximately 15% lower in TRS equivalent. This volume will be sold in the 3Q and 4Qs, especially ethanol. Ethanol prices are slightly better when compared to the previous quarter. So demand is good, and so, we still have 60% to sell in the 2H.

As for margins, there was a drop of adjusted EBIT margin vis-à-vis the 2Q25, mainly due to lower prices and lower operating leverage, and our net income in line once you remove biological assets, mark-to-market, when we transform prepaid to CDI debt. So quarter-on-quarter, the numbers are similar to that of the 2Q.

Cash income, which is a number that we like to discuss every quarter, year to date, it was R\$ 1,918,00, 3% lower than the previous quarter, and this is mostly due to Consecana effect. It should be even lower than that if it weren't for a drop in crushing, and the price of sugar dropped by 4%, so the margin is slightly lower when compared to the previous period.

Ethanol, there was an increase in price of 4%. The margin is improving, we had a negative ethanol margin last quarter, and now it's even. So we hope that in the 2Q with better prices, we should be able to resume a margin close to 3% in terms of sugar ethanol.

Before I talk about corn, this slide shows how much I will produce and how much I already sold. I have 49% of sugar to be sold in the next two quarters, so we expect to ship 100% of that sugar, and approximately 55% of sugarcane ethanol is yet to be sold, and 57% of corn ethanol to be sold. So this will be a half year with a lot of ethanol for us to sell in the coming quarters.

Corn processing, in the half year, we generated R\$ 146 million, EBIT 31%, corn volume is 100% already acquired, price is close to R\$ 52 per bag. We expect corn to have an EBITDA around 350 until the end of the year based on our best estimates. And the half-year-on-half-year comparison, or quarter-on-quarter there was an apparent increase of operating expenses, but this is just a matter of the schedule because by the end of the year you would see 120 million as a total number, so this is the same amount that we posted last crop year.

Now sugar. We've been noticing in the past few months a significant drop in sugar prices in the international market, which is in keeping with all of the other soft commodities. I mean, sugar is struggling a bit more when compared to other commodities, and together with sugar, sugar and cane, there was a drop of 10, 12%, which is hurting our ATM for the next year.

Up to now, I mean, in September, we had hedged 100,000 tons of sugar at an average price of R\$ 2,371,00, in line with the exchange rate, and at the same time, in addition to that sugar volume, there was a dollar hedging of about 6.10 approximately to US\$80 million for the sales maturing in October of 2026. If you were to hedge this sugar with the dollar rate at a better rate, my average sugar price for this total volume, which is approximately 200,000 tons, give or take, so we would have R\$ 2,080,00 per ton, which is a lower number when compared to last year, R\$ 300 lower, but this is mainly attributed to that strong drop in sugar prices.

Still on that note about sugar, there is still a consensus in the market that the Center-South of the country should produce a large volume of sugar, something close to 40, 41 million tons. We are discussing some challenges about that consensus, and we are making a mistake, I mean, it's important that we realize that. But when you look at a sales price of 14 cents for sugar, and ethanol, the equivalent ethanol, in terms of sugar equivalents at 15.5, so the decision is clear for next year. If sugar prices remain where they are and assuming that ethanol demand will not grow and will remain where it is today, it should grow just a little bit more because of the ethanol supply, it doesn't make a lot of sense that for next crop year we will start with sugar. And that has been the case in the Center-South for a few years.

The fact is the prices came down significantly and in the minimum mix of sugar for next year, there should be a coverage of about 25% when you look at the minimum mix for sugar. We believe that once the Brazilian crop year is concluded, which should happen right now at the end of November, then the market We'll look at production of at the most 39 million tons of sugar and therefore prices will tend to recover, reaching a parity with ethanol. And that's when we will evaluate our sugar hedges.

Moving on to conclude, here we have our cash flow, the Company's debt position and our amortization schedule. In the comparison of March 25 to September 25, there was a debt increase of R\$ 500 million. Basically, this is separated in two blocks: The first block, it was down R\$ 265 million due to the cash flow of the operation to date, minus expansion CAPEX and dividends. So you have 265, reducing the debt. And on the other hand, up to now, you have employed working capital, especially close to R\$ 1 million for inventory, and this is the sugar volume in the inventory and ethanol volume.

What you produce during April and November is your production, is 100% of your production, and you sell that in a period of 12 months. So the debt is being reduced and will be further reduced going forward. Our cash ended at R\$ 3.2 million with the debt average price of 5.7 years. Our short-term maturities are 12 to 24 months, are very low. I mean, we are capable of facing any kind of volatility in sugar prices or electoral year. So our debt is mostly CDI capital plus our cash. Non-CDI debt is pre and that relates to investments in corn-based ethanol and biomethane, which price is lower than ethanol equivalent. So the tenure is average and so the debt is under control 1.57x EBITDA. And at the moment, we have a very important part of our working capital already employed in the operation.

So these are my initial remarks, and now we open the floor for questions. Thank you.

Question and Answer Session

Operator: Now we will initiate the Q&A session. I would like to remind you that for questions in writing, please send your questions to the Q&A icon in the lower part of your screen. For audio questions, just click in the Raise Hand icon in the lower part of the screen. Your names will be announced, and when we call your name, please ask your questions live. At that time, you will see a pop-up to enable your microphone.

Lucas Ferreira: Good afternoon. Good afternoon, Felipe and John. My first question is, I imagine that next year crushing will be better than this year because there will be a better quality. But considering all the moving parts, like costs, fertilizers, etc., or maybe even that CAPEX reduction, lower costs, SG&A, etc., my question is, what is the expected break-even for sugar and ethanol for next year?

And my second question is about the ethanol market. You talked about some potential triggers for the sugar market. But the question is whether you think that once we look at the supply and demand balance, including more supply of sugar cane, whether we wouldn't be able to see a more challenging scenario for ethanol in 2026.

Felipe Vicchiato: Lucas, good afternoon, and thank you for your questions. I will start with your second question about the ethanol scenario going forward, or next year. Next year, next crop year, corn ethanol supply should be 4.5 billion surplus getting into the system in locations more towards the northern part of Brazil. And then you would have more ethanol also coming into the system if the mix includes 1.5 billion liters of ethanol in São Paulo.

Today, Lucas, what we see is that ethanol market share in the fleet, we are saying that 80% of the fleet is flex, and in our last survey, only 25% of the fleet is using ethanol. We think that part of that is attributed to ethanol prices, because in some regions the ethanol prices, especially in the Northeast, are higher. So if there is more ethanol produced in that region, maybe prices will be lower and then consumer will be higher.

So there is the possibility that in the Otto cycle of gasoline, ethanol should prevail because it's just natural and it's also a matter of advertising, and the industry is educating consumers, explaining what the advantages are of using ethanol. But even though you have more supply, maybe at the beginning there will be a decline, but if it drops to about 60 to 62%, consumption will be resumed very quickly, and we see consumption growing whenever the parity reaches 60%.

I think that was only one year, two years ago, when in the 4Q the parity went to 60 and consumption did not respond as quickly. But once the harvest is normalized, the crop year is normalized, the trend is for that to happen.

Now, your first question about costs, I don't have a number yet to give you. We are just beginning to work on the budget. What I can say is that São Martino today, given current sales sugar prices, these prices, I mean, the cost is higher than the cost of sugar. Our cost is around 14, 15 in some mills with the current yield and with the costs that we have. So we have to adjust that very quickly.

But São Martino is considered one of the top companies with the lowest cost in the industry. So we will be in the first quartile. Just as São Martinho could be impacted if prices remain as such next year, other companies will also be impacted. And maybe the industry will reduce production, crushing, and crop treatment. Maybe this could be one alternative, and this would impact prices.

But for next year, we will look at two things: First, we will continue our investments in the corn ethanol project, we will not seize those investments; and we will also, in

terms of sugarcane ethanol, we will just focus on maintenance, and we will certainly look at the cost-benefit ratio, what will be the best return for our dollar.

So maybe I would have to invest the same amount in machinery and a little bit in cane that is a bit more expensive from some suppliers because one mill might be more efficient than the other. The idea is to reach a significant reduction in our cash cost based on these initiatives.

And certainly productivity is also very important. This year, I mean, in consolidated terms, yield was better. We want to reach 37 tons per hectare, and we are 10 tons below that mark. And if we can recover part of that, this would mean a significant reduction in unit costs for both sugar and ethanol.

Lucas Ferreira: Thank you, Felipe.

Pedro Fonseca: Good morning and thank you for taking my question. My first question is about ethanol. I would like to hear your views about the risks, because a lot is being said that maybe there will be new measures to lower the price of gasoline. And there is also a debate about import ethanol tariffs. And how does that dialogue with the Company's sales of sugar and ethanol? What should we expect in terms of sales of ethanol for the 2Q?

The second point is about corn ethanol margins, which is slightly lower than expected, mostly because of SG&A and the industrial side. Felipe said something during his remarks, but I would just like to get a little bit more color about what these expenses refer to.

Just to make sure that I understood you correctly, Felipe, you said that the number is 120 million. I just want to understand whether it was a one-off in the quarter or whether it was just phasing out that expenses were more concentrated this quarter.

Felipe Vicchiato: Thank you, Pedro. I'll start with the second. It was just something related to this quarter, and for the year, we'll 120 million, in line with the numbers from last crop year. In terms of market risk for prices in the 3Q and 4Qs, what we are seeing, Pedro, is that with this year we monitor ethanol inventories, and once you have balanced ethanol inventory and constant demand, I mean, we chose to sell not carryover ethanol, but early this year, we didn't find a lot of opportunity to sell it. But more than that, early this year, we thought we would produce more sugar. But since in September, we decided to turn the mix towards ethanol, at the end of the day, I produced more ethanol, so I had more ethanol to sell in the 2H.

Corn ethanol for this year shouldn't increase. Sugarcane ethanol, I mean, most mills will conclude their harvest at the end of November, so with that, we understand that there should be a good demand for ethanol, ethanol, to be sold in the next quarters.

In terms of risk of lower prices of gasoline at the gas station, Petrobras is reviewing their policy. There isn't anything unusual or nothing different than what they did in previous years. There is a delay that for them makes sense. They recently reduced gasoline prices. Now to help with the maintenance of ethanol prices, one thing that helps is the adjustment of taxes, so ethanol will be more competitive.

Therefore, we are very comfortable that we will be able to sell ethanol at a reasonable price going forward in the next quarters.

Pedro Fonseca: Thank you. If you allow me another follow-up question, you also said, when you talked about the mix, another reason was the monetization of tax credits. Could you tell us what we should expect in terms of monetization going forward given that fact?

Felipe Vicchiato: About R\$ 50 million, approximately.

Pedro Fonseca: Okay, that's clear. Thank you.

Isabella Simonato: Good afternoon, Felipe. Good afternoon, everyone. My question is, again, related to the mix and the comparison of profitability between one product and the other. When you look at the spot prices, this migration makes sense but Felipe, if you could give me a little bit more detail, in addition to the tax credit, how do you see that impacting your cash flow line? Also, bear in mind what you have already hedged for sugar.

And looking at the next crop year, I know that your budget is not yet completed, but could you give us an idea of the mix going forward and what would make sense for you, whether it would make more sense for you to tilt over ethanol?

Felipe Vicchiato: Thank you for your questions. Okay, for this year, until the end of the year, given the hedge that I have for this crop year, which is around more than 90% with sugarcane prices that will lead us to a result of 2.5 billion per ton, so with this price of R\$ 2,400,00 and considering my cost of R\$ 1,920,00, approximately, so this year I will have a sugar margin of around 19 to 20%. So this year notably, sugar will be the main margin product for the sugar ethanol business.

Ethanol, since prices are better and I have more volume, that means that my admin costs and the fixed costs can be diluted, should migrate to something around 3 to 4%.

Now, when we look at the next crop year, the point is the sugar sales price today is 14%, and ethanol then you have to look at hydrated, or hydrous or anhydrous. The price makes no sense at all. In the economic calculation, I didn't even include taxes. How can I monetize taxes? In fact, I take credit from my inputs, so I have an ICMS, PIS and COFINS, and I recover these taxes through ethanol sales to the domestic

market. If I have more sugar and my sugar is predominantly for exports, it takes me longer to recover the taxes.

If you just look at the economic side, looking at the sugar prices and comparing them to ethanol prices, it's better to do ethanol. If together with that, you look at the tax credit, the advantages are even better. But the credit issue is something that is ours. I don't know, in the industry on average, how the other companies are dealing with that.

But for next year, it will certainly depend on our yield. But I think we can post 1.2, 1.3 million tons of sugar, if that's the case, of a total that it could be 1.7, and with that, my ethanol would go up to 1 billion liters, or 1.1 billion liters, depending on the yield. That's a considerable amount.

Isabella Simonato: It's very clear, Felipe. Thank you.

Felipe Vicchiato: Thank you, Isa.

Matheus Enfeldt: Good afternoon, Felipe and John. Thank you for your time. I don't want to be very repetitive, but it's still on the topic of prices – or maybe because I am a bit more negative than you when I look at ethanol prices for next year –, you said that ethanol could reach parity of 60 or 62%, and that would be R\$ 2.30 or R\$ 2.40, which is way below your cost today, with sugar prices that are still below cost.

I know that you don't have an answer yet, but maybe you could elaborate a bit more about the most drastic measures that you could take here in case both products are below cost for a great majority of the crop year. Maybe you see a cost dilution for next crop year, or how much of the CAPEX you will not use, or whether you can delay the corn ethanol plant, or whether you can buy products from third parties? What are the options that you have on the table?

And my second question is about your hedging policy. I think 10 or 15% of your crop year is hedged, depending on the mix. How low is the mix that could generate a concern that will lead you to review the hedge policy of the Company, even knowing that your CAPEX commitment for the next two years is big? So how do you see hedge going forward? These are my questions, thank you.

Felipe Vicchiato: Matheus, thank you for your questions. So let's start with your first question. What are the levers that I can put into action if your scenario (the scenario you described) becomes a reality, if the ethanol prices go down? This is a lever that I will not put into action because I will not stop investing in my corn ethanol plant. I mean, this is a plant that will bring excellent returns, the plant is right at the right cost, and in fact, the corn ethanol plant is one way for us to be more competitive two years from now when the plant is ready, a year and a half counting as of today.

So given our financial cash position, we don't see any need not to invest in such a good project as this one is.

What can we do in terms of our other investments? There is also an investment related to modernization and some other projects. I mean, we could cut that, and it could go down to zero. This is one possibility, and this would imply us not renewing truck fleet contracts, or harvesters contract. We just have to run the calculation.

And the other point is, given that extreme scenario, maybe we could buy cane from suppliers. Obviously, we don't have 100% of cane from suppliers already hired today, so we always leave part of that to the spot market. and usually, spot cane is more expensive.

So in this more extreme price scenario, the spot purchase comes with a lot of subsidies because you have to do the harvest, you have to get the cane further down, so this is not feasible, and we will not do it.

We always have a project for this cane, the sugar cane. We would be able to reduce a significant from cane from suppliers by crushing our own cane, which is under control, and we can maintain the margins. But if ethanol prices are what you said and sugar remains where it is, it will indeed be a very tough crop year in terms of the final outcome for us.

We know that if it happens in one or two years, there will be a significant flip because there will be less sugarcane because, in fact, other companies will have to make more drastic decisions. Our debt today, the average cost is below 10% of CDI. Let's say next year's CDI is on average 13% or 13.5%, think about a company that is taking money at CDI plus 2 or plus 3? The situation in this case is much more delicate. It will be a tough year given your scenario, but maybe it will be a year with no free cash flow generation because I'm making investments, so it could be negative. That could be, but we will come out much stronger in 2027, and we'll be able to recover that very easily.

Matheus Enfeldt: Thank you. And about your hedging policy?

Felipe Vicchiato: Our hedge policy involves looking at the expectation of production. Maybe our mistake – and just say *mea culpa* – was that during the entire crop year we believed that we would have very little sugar in Brazil, and that the production would be around 38 or 39. Maybe we looked at Brazil too much and then we had a lot more sugar from Thailand and India.

India just approved sugar experts, which hurts the case even more. But at least we did the exchange rate part, because we thought it could be a lot worse. So if you take the exchange rate into consideration, we have more than 30% is hedged. We are now reviewing the policy. Maybe we could even tighten up the scenario further. Depending on our reading of the market, we have to then hedge. But backward

looking, easier said than done, right? When you realize that the price was not what you had in mind, you just have to take a closer look and revisit.

Matheus Enfeldt: Thank you.

Gabriel Barra: Hello, Felipe, and thank you. Thank you for taking my questions. I have two questions, and I'm sorry for going back to the sugar topic. I think you already talked a lot about it, but Felipe, we've been in this industry for quite some time, and we've seen sugar cane prices lower than that back in 2018. And then when you look at next year, next crop year, when you mention increase in ethanol, the year is more into sugar and maybe in 2018, 2019 we didn't have the same mix. So the question is, if everyone increases ethanol, this could also impact the cost of ethanol, and in a way, this would harm the change of mix.

So I would just like to get your idea, because I know you have the pace of the business every day. How do you see hedging next year? I mean, the levels are low and from what we've heard from other players, I just want to learn from you, how much are you flexible or the industry is flexible for next crop year in terms of the sugar mix? I know that you have a lot of flexibility, but I'm not sure the entire industry has the same flexibility.

So in terms of ethanol prices as well, because we see prices for gasoline being higher, so what is your projection vis-à-vis ethanol and gasoline? And about flexibility in terms of acquiring cane from third parties, how flexible are you in terms of reducing crushing? And at what moment you would decide that, would that be more like spot or for next crop year? If you could elaborate a bit more there, I would appreciate it. Thank you.

Felipe Vicchiato: Thank you for your questions. In terms of that circular reference between sugar and ethanol, the advantage of ethanol is that even though I have enough production, there comes a time where prices would go down at the pump, but the ethanol share in the Otto cycle is very low. So once you have a replacement product, which is ethanol, that has its price reduced, we have a lot of market in Brazil that can push consumption up.

There were times when ethanol consumption, I think hydrous ethanol was at 1.2 billion a month, we understand we are concerned that there are several corn ethanol plants coming in at the same time. This is an issue. But also, I would say that there is room and the share can be adjusted.

So that's it. I mean, you have to start moving. So let's see what will happen next year, let's see how rainfall will behave, let's look at sugarcane yield, because price today is 14 cents, but it could resume, go back to 16 cents very soon.

And about hedge, we have 20%. I mean, if you look at the minimum of production, and if you look at exchange rate is 30% with that additional exchange of R\$ 80 million

and the industry has 30% hedged. So by looking at the last figures I read from a bank that monitors the industry, they're saying that the industry has 30% hedged on average for next crop year.

So there's little hedge, so I don't think that the industry will start producing more ethanol. I mean, those 30%, the number is even low for this time of the year, and they are seeing what we are seeing, I mean, price is lower, is below cost, and there will be a time when you will eliminate part of the production and prices will be more stable.

Now, your other question is about third-party cane. Third-party cane accounts for approximately R\$ 1 billion in cost, a ballpark figure, cane from suppliers. And once price goes down significantly for sugar and ethanol, and when you look at supplier's cane, there is an incentive component, which is fixed, meaning that you have to bring the cane from faraway areas and so the cost is higher. That spot cane that becomes hired in the future, with that situation, I would choose not to do it because there will be no margin. So this is where we stand today.

So in terms of magnitude, the supplier market, 20% is spot market, so I would have to manage R\$ 200 million of cost of a cane that has to be profitable, because I would just hire it in the beginning of next year, and to hire that that involves a project. I mean, we have to look at it, and given all of the assumptions, I have to find out whether we will have any kind of return. Given the current assumptions, I don't think there will be any reduction considering the current assumptions. I think this is a labor that we will look into next year.

Gabriel Barra: Thank you.

Henrique Brustolin: Good afternoon, Felipe and John. Thank you for taking my question. I have two questions, in fact. First question, looking at the 26-27 crop year, could you tell me what you expect in terms of yield in your sugarcane fields? General conditions seemed much better. The question is whether that downwards review should have any carryover into next crop year. But even considering Raizen's contract, their room to recover TCH and TRS, I mean, looking at own cane, the TRS production would be around two digits. I want to know whether that would make sense, and I want to hear your views about the outlook for the next crop year.

And your comment during your presentation when you said R\$ 2,080 per ton of sugar, is this the implicit price? If based on what you already have hedge in sugar plus the exchange rate and whether the remaining sugar would be hedged or whether you're looking at the future for the entire crop. I just want to know how much of your production you're referring to.

Felipe Vicchiato: Well, thank you for your question. 2,080 is looking what I have in terms of sugar that is hedged plus spot sugar. It's not 100% that my sugar will be hedged with an exchange rate that I am not hatching. I'm just looking at the 80 million

that is hedged. I mean, the exchange rate is hedged but not sugar. So if today this sugar that is still missing to merge with exchange rate would be 2,080.

Now given the climate conditions of this crop year, if it is good for next crop and the rains in September were good – in October, rainfall was not very good, it was good in September, but November is okay, is within average –, but to think about a three-digit recovery, we certainly depend on the rainfall in December and maybe March. March of this year for the current crop year, it was very weak in terms of rainfall. And this week, rainfall month, I lost almost 1 million tons. So these months are very important for our yield.

I mean, TRS will recover. This year, there was a very one-off situation with Boa Vista, and the mills around Boa Vista you see the same thing. I think TRS will recover, but yield will certainly depend on the climate in the summer.

Henrique Brustolin: It's very clear. Thank you very much.

Julia Rizzo: Hi Felipe. I know you already talked about that, but one of the things that really surprised me was the production cost per ton, both for sugar and ethanol. It was lower resilient – I don't know what the right word would be –, given the yield conditions, TRS, and even fertilizer costs. In this sense, can you please tell me what happened? I mean, how were you able to maintain such a good cost given that the situation was very adverse?

And what do you expect going forward and even going towards the next crop year? Do you think that given that the yields are so low, what would be the upside in terms of cost per ton? Do I have the right reading, how recurrent that is, and whether, for some reason, this will be up or down?

Felipe Vicchiato: Well, Julia, thank you for your question. In fact, these costs reflect our efforts to reduce the fixed cost without compromising the scope or yield going forward. The idea here is that if we have an income an increasing yield as we expect to have next year – but certainly that depends on climate issues –, so costs should be much lower next year because that will be 10 tons per hectare with the same cost that has already been in place.

So this has to be our obsession. We have to look at the suppliers, as I said before, diesel is slightly lower than our estimates, so this should help next year. I mean, diesel prices are lower than the budget, so higher yield and the fact that we will be able to remove some fixed costs and buy less from suppliers, so we should be seeing a 10% reduction in costs, which is what we anticipate because the price of products are imposing themselves.

Julia Rizzo: I understand. It's really surprising. I mean, all the fixed costs. We always think that you are the slimmest of all. You're very slim, but again, congratulations. My other question, from here to the end of the year, I know that you have a lot of

inventory. What is the price level that you expect? How many cents of increase we should expect vis-à-vis the prices of this quarter?

Felipe Vicchiato: We think that since we have a lot of anhydrous ethanol in Goiás, we believe that prices here should increase by R\$ 100,00 on average. So they will go from R\$ 2,800 to R\$ 2,900 approximately.

Julia Rizzo: Perfect. So the 2H will be very robust when compared to this first one?

Felipe Vicchiato: Ethanol margins will be better. Sugar will remain where it is, but ethanol, yes, will be better.

Julia Rizzo: Thank you.

Felipe Vicchiato: Thank you, Julia.

Operator: As there are no more questions, all the questions that we received through the chat box will be answered by email.

Now, I turn the floor back to Mr. Felipe Vicchiato for his final remarks.

Felipe Vicchiato: Well, thank you very much for your patience, for joining us today, and we are certainly available to answer any additional questions. So, I hope to see you next quarter. All the best. Thank you.