

**International Conference Call  
São Martinho (SMT03)  
3Q26 Earnings Results  
Crop 2025/2026  
February 11<sup>th</sup>, 2026**

**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 **3Q25-2026** 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](http://www.saomartinho.com/ir). Participants will be able to choose which language they want to view the presentation. Two tabs will appear with the options.

Please note that all participants will only be on listen-only mode during the Company's presentation. Next, 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 related to future prospects. 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 initiate the conference call.

**Felipe Vicchiato:**

Thank you. Good afternoon, everyone. Thank you for joining us for the 3Q conference, or earnings presentation of the 25-26 crop year.

So we'll start. On page three, we will start with production, and then this will be followed by the financial highlights, product margins. We will talk about our trading strategy for sugar and ethanol, especially looking at this last quarter. We will talk about the ethanol market, corn operations in our corn plant. I will talk about our hedge position, and finally, I'll talk about the Company's debt position.

So as for production, the crop year started on December 10 in all units. The only plant remaining is the corn-based ethanol plant. We ended with a sugarcane process volume of 21.7 million tons, slightly below what we posted last year and below our expectation when it comes to production.



Productivity was down by almost 4% and due to that lower yield, this had a direct impact on our costs because you do not dilute fixed cost as much, which is an important part of the Company's results. That's why our unit cost has increased.

In addition to productivity, there was also a significant drop in TRS, particularly in the Boa Vista unit, given the climate impact in the region. So TRS was down by 2.2% on average. And so this combination of lower productivity and lower TRS led us to have less available products, so less ethanol, less sugar, and with that, with less sugar and less ethanol, the overall numbers were lower.

So now speaking about our corn ethanol, that was 3% higher than last year. We are already close to 515,000, 520,000 tons of processed corn and until the end of March, and with that, we hope to compensate for losses incurred in the sugar business.

As for the mix, in September last year, we changed the mix a bit, so it's more ethanol rather than sugar because of sugar prices. We hadn't yet done any sugar hedging, so now we turn all the mix towards ethanol. Our ethanol production volume was significant starting in mid-September until the end of the crop year, and therefore, our ethanol inventories are now quite high. We are selling it now throughout the 4Q, but I will elaborate more on this topic as we go forward.

So the quarter results was heavily impacted by lower sales of ethanol. We sold almost 40% less ethanol when compared to the previous quarter, especially attributed to increasing the product in the end of the quarter because of better prices and resilient demand with a more balanced supply in the last quarter. And today, February 10th, we are now realizing that the strategy was assertive.

And with that, if you look at the quarter, our EBITDA in operating terms was down and the cash income on a quarter-on-quarter comparison is almost flat because we had lower financial expenses in the quarter, which compensated for that lower operating performance.

So accounting profit, if you look at the ICMS subsidy, that this was a lawsuit that we won, but this didn't have an impact on cash income, and this will be turned into cash throughout the next coming years as I use that to offer less IRCS when I have that tax to pay.

In the case of sugar, we sold more volume, average price was 7% lower, and so the average price was lower, but we are still having a better sugar margin, and you see that in the cash cost. So ethanol is still performing better in the 3Q.

Next slide, we show you the product margin looking at the numbers for the harvest. When we look at our cash cost, we look at the entire operating CAPEX, maintenance CAPEX, that is estimated in our guidance. And so we post total CAPEX weighted by the volume sold so far. Most of the CAPEX is mostly spent in the 4Q, and that's why we run this comparison because we do not want to have a lot of CAPEX being used

in the 4Q and not so much in using the 2Q and 3Q when the cost is higher. So that's an important aspect to be considered, because I think we got some questions about that last earnings presentation.

So year-to-date for the crop year, sugar delivered margins of 19%, average price 2,300, with cash cost of 1,837. In the case of ethanol, the base was 5%, which is an important recovery when we look at year-to-date in the 1H, because the margin I think it was close to zero, given the fact that ethanol prices have already increased from the 2Q to 3Q. So there was some recovery, and we hope that this recovery will continue towards the 4Q, given the fact that in the 4Q prices will be around R\$ 3,000 to R\$ 3,100 per cubic meter, and we have almost 40% of the product to be sold in the last quarter.

The ethanol I'm mentioning is sugar-based ethanol. It's not corn ethanol, but it's sugar ethanol. So this is the ethanol margin for sugar-based ethanol.

And assuming that we will have better productivity next year given the fact that, starting from this year's base, which was very low, much lower than what we are capable of delivering, I think we should expect a dilution in unit costs, both for sugar and ethanol, and this reduction should be quite relevant.

I would just like to anticipate some of the questions because we might get questions in that direction. Up to now, summer rainfall has been good, especially in the areas where we are located. We had good rainfall in January. Rainfall up to now in February, this rainfall is also good, we have a lot of water reserves, the quality of the crop is good, our green mass is quite good, therefore, we're very excited with good yield prospects. And the entire industry should recover yield as well; the rainfall is here for everyone.

The companies that have a better sugarcane crop, I mean, yield will come quicker and therefore we expect to see more cane and again better costs that will allow us to face sugar price scenarios given the fact that the prices are really out of the ordinary. It's sometimes below the cash cost in some of the mills.

And next, just to speak about the 4Q when it comes to numbers, so far, we invoiced 75% of the sugar produced. We still have 25% to sell now in this last quarter of the crop year. Total ethanol, we invoiced 62%. There's still 38% to be priced. And this should be close to 425 cubic meters of ethanol. This would be the remaining inventory to comply with anhydrous regulation. So approximately 400 cubic meters of ethanol. This is what we will be able to sell in the 4Q, which is a significant number, and sales are happening as we speak.

Ethanol market. The ethanol market performed well in the year. When we look at the past 12 months, it was a very good surprise, we grew close to 9% the Otto Cycle. So despite all the ethanol volume, I mean, corn ethanol, despite the fact that it grew because of all of the new plants that ramped up, we noticed that demand was quite

high, on average, there were sometimes 3 billion liters of ethanol sales, the Otto Cycle hydrous ethanol accounted for 30% in sales and we noticed that even if we get close to 71 to 72%, we still had demand in December close to 2.9 million liters given the fact that hydrous' around 1.7, because that is what is used in gasoline.

And in the charts below we see an important comparison of ethanol inventories, which was for 24-25 crop year and 25-26 crop year, the level of stocks are lower. I mean, this gives us a certain room of comfort, meaning that prices should remain healthy. And so we are getting into a new crop year with healthy stocks, and this should not destroy prices in any relevant way, as some in the market believe will happen.

We also believe there are probably many mills like ours that should start the crop year with crushing and mix more towards ethanol. Economically speaking, I mean, I will refer back to sugar, economically, it's more advantageous to produce more ethanol and less sugar. To everybody that is doing the math, you will see that I think today people are paying 18 to 20% more for ethanol when compared to sugar. So I think the price of hydrous should fall a little, but every month that goes by and the mills are shifting the mix to produce more ethanol. So if you look at every month, I think we will have about a million tons of sugar less in terms of its availability in the market if the mills have that flexibility, which leads to believe that the crop year will be very close in Brazil, running around 40 million tons, which was similar to last crop year.

Production estimates for the center-south is close to 1 million tons, assuming a growth in production. But if the mills initiate the crop year with more ethanol, and if the demand remains resilient, we think that this number should be slightly lower, which should sustain sugar prices probably at a higher level.

As a reminder, this year there will be a climate phenomenon, meaning that there should be more rain at the end of the crop year in the south, and there may be a drought in India at the end of the crop year, which should hurt the Indian crop year. So we are looking at all of the possibilities, looking at all of the information before we make any hedging decision. But in the 26-27 crop year, the hedge we have is for 300,000 tons, price close to R\$ 2,150 per ton, approximately. This is a price similar to that of our own cane, percentage speaking. I mean, this will certainly depend on the mix, but if I use a minimum mix in my crop for sugar, this is a percentage that would account for about 30% or so, which is already fixed, but this will depend on the crop or the harvest mix.

So going back to another slide and talking about hedge, our corn operation year to date posted 65% growth of EBITDA, 92% EBIT growth year-on-year. If you compare quarter-on-quarter, there was a drop in the indicators, and this is due to lower sales of ethanol resulting from our carryover strategy. And up to now, for invoiced corn ethanol, we have 68% of the estimate production, meaning that we have about 42% yet to be priced in the last quarter, which lead us to believe, assuming that corn from

this harvest is almost totally priced, EBITDA should reach historical levels on the corn side, and this will lead to increased EBITDA for the Company.

So corn is around R\$ 52 per bag. Ethanol prices is what we see in the market. And a significant volume of corn ethanol yet to be sold in this last quarter.

And finally, speaking about our debt position, by the end of December, our net debt was R\$ 5.8 billion. The average is 1.8x net debt over EBITDA, and this is explained by increase in working capital, ethanol inventories, as I mentioned before. Moreover, we had investments approved. Among them, we had the investment in the Egito Project. This is the biological product for Santa Elisa, and the expansion CAPEX and among all for the corn plant, and we started spending that and that's why debt increased, but it's at a controlled level. So we hope that this debt level would go back to something close to R\$ 5 billion next March.

This is a very similar level when compared to what I had in March of 2025, despite all of the investments we made throughout the year. So March 2026, we should see biological assets from Santa Elisa and the plant investments in place, a much better prospects when compared to last year, and I think we will see lower sugar prices. But again, costs will be much lower, and productivity will reach historical levels.

In my amortization schedule here, our cash in December was R\$ 3.4 billion, we have very little short-term debt, we have like four years of short-term debt, so 5.6 years, so our situation is very comfortable. Therefore, we will not need to refinance the debt. I mean, it's a more volatile year, therefore, we don't anticipate any issues.

So these were our initial comments and now we will open for questions. Thank you.

### **Question and Answer Session**

**Lucas Ferreira, JP Morgan:** Hello, Felipe and John. My first question is about costs. In addition to the dilution of fixed costs, can you also talk about variable in direct costs? And I know that you usually only give more clarity when you have the guidance, which would be by the end of May. But assuming that you will be able to crush 24 million tons, how much lower your cost would be next crop year? I mean, I'm asking this because, Felipe, you said that sugar would be like 1,500, which is the spot price of sugar today. So I assume that once you have a higher cost dilution, prices should go down.

My second question is on the ethanol market. You have a very constructive view because the crop will start with lower inventory levels. My question is whether you see risks maybe in the 2H or whether you're monitoring the corn-based ethanol market, there will be a difference in mix. But if you see any risks in the market in the 2H of the year, and this could probably influence your trading strategy.

**Felipe Vicchiato:** Thank you for your questions, Lucas. Starting with that part on the cost, if we can resume productivity and we can get close to 24 million tons of yield, as you put it yourself, we will have a better estimate and better idea of production by the end of May, that yield together with better TRS, about 42 kilograms, the cost should go down by about 10 to 15%. This is the goal. In addition to other costs that we are monitoring very diligently given the price issue, which is currently very challenging. So this is what I can say about sugar, which is also very low for ethanol, because 85% of my cash cost is agricultural cash cost, which is crop treatment, harvesting, labor.

So from Santa Elisa, from their project, we're adding some things that will allow me to dilute more costs because I can use the same machinery, I only have crop treatment and the remaining, I mean, machinery and labor will be the same, it's shared, so my cost will come down. But if we can crush 24 million tons, we would be able to reduce costs by 10 to 15%.

But to get 24 million tons, I would need to have a TCH level of 35 per hectare, which is not a big challenge, saying that, that we've never achieved that level. Yes, we have achieved, I think, five or six years ago, we have achieved that level. So if rainfall is good, I mean, the sugarcane crop was new, which is about the same thing here, but we have to wait until the end of February and wait for March to be able to give you a more assertive number.

So yield and TRS will have a direct impact on the reduction or even increase of cost. My cost only increased more this year, I mean, there was 1.3 drop in sugar and a little bit more in ethanol. It wasn't up by more because I had other possibilities to reduce it due to internal measures. But Consecana is also pushing the cost down. There was an operating deleveraging and we had less cane.

And the second question on higher ethanol volumes, this ethanol challenge will be a constant. We encountered the same challenge this year. I think we had 2 billion liters of corn-based ethanol that entered the system, and everybody was afraid that prices would go down, but fortunately, the Otto Cycle demand was quite strong, but the industry (Unica included) they're focusing on advertisement. The corn growers and Unem, and we are part of that. We are trying to activate markets that do not have a high consumption of ethanol like in the north and northeast of the country.

The demand is very irrelevant, but it is probably due to logistics, because it's difficult to get there. It's not a matter of prices. There are some bottlenecks until we get the product to these regions. Therefore, the biggest corn ethanol producers are running campaigns to help increase that consumption.

Of course, there are more corn-based ethanol products, but they are coming from the north, so it's hard for the same product to compete with products from Goiás or São Paulo because of freight costs. So we have to get that from other markets. So we have to probably eliminate some bottlenecks to reach relevant markets like that

of the Northeast. While at the same token, we increase our marketing investments to increase the share, which is at 30% today for Otto Cycle ethanol, and if that number goes to 35%, that will be an important difference.

**Lucas Ferreira:** Thank you.

**Gabriel Barra, Citi:** Hello, Felipe, and thank you for taking my questions. I have two questions. My first question has to do with capital allocation. I think that you were very active in your buyback program, and as you showed at the end of your presentation, even though leverage is slightly higher, it's not challenging once the house is in order, I would say. That's what you said at the end of your presentation, even though it was a difficult moment, but you were well-organized.

Looking at that, in that note, looking forward, how would you see that advantage of buyback and capital allocation will perform in the next crop year? That might be a more difficult crop year for everyone, or there might be other good opportunities. I would just like to hear you say something about that.

And my second point, going back to the ethanol discussion, the industry is not so hedged for this crop year, and this has to do with everything you said, and I do agree that this next crop year will be more ethanol-based and yield should be slightly higher. And in addition to that, how could we see your hedge strategy given sugar prices looking at the 2H? So how can we put all of these factors in an equation to think about a hedge structure for the next crop year?

I think there will be a lot of moving parts, more than the usual, and this is mostly for ethanol. The idea would be to focus more on ethanol or maybe to focus more on tray and try to run at a certain level of inventory? Thank you.

**Felipe Vicchiato:** Well, lots of questions. I will start with the most strategic answers. I don't know if I'll be able to answer all your questions in full, but starting with our hedge strategy, today we have 300,000 tons of sugar already invoiced. If we have this minimum amount of sugar, this would account for about 30% of hedge. We understand that the dynamics for the beginning of next crop year, if it is indeed a more alcohol or ethanol-based crop year, as everybody believes it will be, the sugar prices should react, and maybe then once prices react, we might just be able to conclude the remaining of the harvest.

I mean, to hedge now at the current level of prices, amount 14.5 and 14, it doesn't make a lot of sense given that we are seeing a crop year where ethanol prices are much higher than sugar prices. So as you go along, you just see how things will perform. We'll look at the crop year from India; there should be some exports from India. But what we see is that, considering given sugar prices, the market still believes that sugar production in Brazil will be like more sugar, there will be a surplus, etc., etc. Something that we do not really believe will happen. That's why I said that we will see it will be the most appropriate moment to hedge.

As for ethanol sales, that is what I said. I mean, what I have in my transfer inventory, I mean, the idea now is to sell that in the 4Q, and once the crop year ramps up, the idea, depending on how prices perform, the idea is to sell looking at the parity of around 68 or 70%, the idea is to sell ethanol because CDI in the carryover costs is too expensive, and when we do the math, we look at CDI.

Capital allocation. Capital allocation, we did some buyback now because the share price is very cheap. We look at six months ago, let me give you a bigger time span. We waited, and after December we started to buy back a bit, our program ends in March, I think we still have a little bit yet to buy back, we should conclude the buyback by March. And we think that the share, I mean, 5 billion, with all the assets we have, the corn plant alone, our corn plant alone, will generate almost R\$ 400 million. My equity amount is 5 billion. My other corn plant will be ready next year, and it will process 600 additional tons. So 600,000 tons, and I will almost double my production, totally funded, and in fact, the best resource to allocate capital is by buying back my shares. That's why in December we accelerated the buyback a bit more, but we will open another buyback program once this is completed.

But as I said, I mean, the house is in order. We'll see how the sugar crop will be in May, what is the yield prospect and then we will make a decision. But basically, we already have a major investment in the in the corn plant, about 1.2 billion. This is the total investment. This is a significant investment, and this should happen next year, and this will be the main capital allocation item.

**Gabriel Barra:** All right. Thank you very much.

**Matheus Enfeldt, UBS:** Good afternoon, Felipe and John. Thank you for taking my questions. My first question is your views on the industry. I think we talked a little bit about that in the past, but sugar is about 1,700. When I look at your cash cost, I see an improvement next year, so it should be very close. But as one of the best operators in the industry, I think that the rest of the industry should struggle a bit.

My question is, how do you think that this adjustment will occur for the 26-27 crop year? How do you think that this adjustment will come in terms of yield productivity? I mean, are you anticipating an acreage reduction in the sugarcane crops? What is the view for the industry in case we don't see any substantial changes in prices?

My second question is that I understand you are improving efficiency, cost, and optimizing CAPEX. Do you have any idea today of how much this will contribute to your next year's performance? You already mentioned 10 to 15% improvement considering cost reductions, but if you could also give me some other examples of other initiatives that are helping you to generate gains. So these are my two questions. Thank you.

**Felipe Vicchiato:** Hi Matheus. OK, your first question is tough. I mean, the industry is very heterogeneous. There are some very good mills, very resilient mills, with very

good productivity, they can stand prices even lower than that 1,700, and they are located in prime land with low leverage. And there are other mills that are performing very poorly, and they cannot withstand low prices. So I would say that 20% of the sector is in that range that cannot even stand prices at R\$ 2,000.

Since we are going towards the second year and a year where ethanol prices were not so big, so high, maybe the first thing people do is to cut inputs, and this would have direct impact on cane productivity. So you will cut crop production products, you cut your inputs, you decrease productivity, you cut on labor because fixed labor costs is a big chunk of your total cost. And then finally, you come to the conclusion that you have to divest or sell some of your assets, and this is what has been happening in the past few years.

But it's very difficult to give you a number, it's difficult to tell you because price is solved with price itself. In practical terms, I would say that this industry needs more time. This is a semi-perennial crop; it takes six to seven years to mature. You would need two, three years of very bad prices. We are going towards our third year when you look at sugar and ethanol mix, so it takes some time until you see ends meeting or some adjustments being made.

In terms of our own initiatives, I wouldn't like to anticipate anything right now because we are currently discussing the budget, and we are now listing our initiatives. So maybe in our next earnings release presentation, I will be able to give you more details. But in terms of magnitude, combining productivity and initiatives, I would say 10 to 15%, again, assuming that we will be able to achieve 24 million tons in yield.

**Matheus Enfeldt:** Thank you.

**Leonardo Alencar, XP:** Hello, Felipe and John. Thank you for taking my questions. You already mentioned several other aspects, both for sugar and ethanol. But given this very difficult scenario, difficult to anticipate, what do you think would be your possible triggers for sugar hedge? I mean, I know it doesn't make sense now because the mix is more ethanol-based. Maybe if there is a conversion in the curve, that will be an opportunity. But in addition to ethanol productivity, do you think there would be another trigger? Do you think that if something happens in India, something could happen on the sugar side?

And just to ask you if you could give me some color, you said that maybe even when the next crop year begins, you will still focus on ethanol given the current pricing, so the industry will start being more ethanol-based. But again, you said that you will not concentrate all your sales at the beginning like that. It will be a sale more based towards the entire scenario.

We know that the curve is not perfect as it is today, but do you think it makes sense for us to look at a snapshot of the next crop year that the net of the strategy could

possibly be the opposite of what you're doing now? Because maybe do you think you will liquidate your position even before we start the next cycle?

**Felipe Vicchiato:** Well, Leo, let me just correct myself. Maybe I didn't express myself well, but the idea is to sell all the ethanol we have left in the 4Q. So we will start the new crop year in April, and we will start with an ethanol-based crop, and we will sell the ethanol throughout the crop year, but it will depend on the prices. If prices are around 68 to 70, we will sell it, but we are not going to switch crops with ethanol, we will sell everything in the 4Q because current prices are quite good.

So we don't think that as of April it will be at the same level because everybody will come and volumes will increase. So every year things will happen almost the same way, unless it starts to rain in April and we start crushing. But this will be very risky, and I don't think we will venture in that direction.

As for hedge, in addition to the issue of the early crop year, the beginning of the year, I think if we look at the number of contracts sold, today we have a record for the last 20 years, so production is heavy. So any news that comes in the opposite direction may have a very quick effect to cover positions and therefore prices in this case would go up significantly. But we're not anticipating anything, maybe something related to India exports or maybe the mix in India will transform more sugar into ethanol instead of just sugar.

So it's difficult to have any kind of visibility. But technically speaking today, if we look at inventory for the last 20 years, and also if you consider the fact that sugar demand is increasing, there is a new thesis that I've heard, people are saying "but now sugar consumption will decrease because of all of these this new diet pens".

When I started working in this sector people were saying that China will consume a lot of sugar. But, you know, the numbers haven't changed as much. And now they are saying that because of all of these weight loss pens, people will not consume as much sugar. But the consumption, the bulk of the consumption, comes from poorer regions. And I think you have to look at the technical side more than anything else, and this is probably what explains our sugar position, and any positive news can change the market.

But also, again, we don't have a lot of hedge. Just as São Martinho, most of the industry is around 30% hedged. This is probably one issue that would not allow things to go up as much, because the sugar we have is enough for the Brazilian market.

**Leonardo Alencar:** Perfect. Thank you for that clarification.

**Isabella Simonato, Bank of America:** Good afternoon, Felipe and John. I would like to take a look at the DGG market. I think you're already operating in that market for quite some time. I think you already have expertise in the DDG market, and we

see a lot of prices being very resilient despite what happens in the rest of the animal feed market. So I would just like you to elaborate a bit about the sales dynamics of this product. And even thinking in terms of your second corn-based ethanol, how do you think that this market will evolve going forward?

**Felipe Vicchiato:** Thank you, Isa. Thank you for your question. In our case, our portfolio is very spread. DDG is a product where basically you have to explain things to the customer, because the ruminant has a higher conversion of DDG into protein, I mean, the customer has to accept it and perceive that your DDG is delivering more protein and more energy to the animal. And so, in the region where we are, that covers a little bit of Goiás and Minas Gerais, there we have a lot of livestock producers and they can absorb my production, and even 5x more than what I produce.

We are very excited. We think that our future production can also be totally absorbed, and even faster, because there won't be a learning curve where we have to educate customers. And sometimes it takes some time, because at the beginning, we would sell to large customers, like JBS, and at a higher discount. So things are a bit different. But when you sell to smaller customers, you get better premium. And this is our strategy at the moment.

So in the region where we are, acceptance is quite good. Corn-based ethanol towards the north of the country, we are also being able to sell in other regions where freight is not a big issue. So I can also charge a premium, which is good for everyone. So I think it has been a pleasant surprise. This year, I think it's close to R\$ 1,200 per ton, and this certainly improves our ethanol costs when you run a net calculation.

**Isabella Simonato:** Excellent. Thank you very much.

**Julia Rizzo, Morgan Stanley:** Good afternoon, Felipe. I would like to talk about two topics. You also said something when you answered Matheus' question. The next crop year, I don't know, what are you envisioning for Brazil? I mean, 610,000 tons. Is it already a given?

I mean, given the summer rainfall, it's been three years since the results have been falling, and we've encountered some very complicated situations. Do you think that the impact could already be seen in this next crop year in terms of maintenance CAPEX and changes in the sector, or do you think that this new crop year is already a given?

**Felipe Vicchiato:** Thank you for the question, Julia. I think the 26-27 crop year, this 26-27 crop year, out of that 610,000 tons already contemplates part of the players that did not fertilize the soil or did not treat the crop the usual way. If it were not for these problems, the yield could be even bigger.

**Julia Rizzo:** My other question related more to the Company itself, could you help me think about what will be the breakdown of the 2025-2026 crop year? About R\$ 5 billion? And what could you anticipate for the next crop year in terms of crop treatment, what you did, what you already spent compared to this crop that has ended?

**Felipe Vicchiato:** You're talking about the estimate for the next crop year?

**Julia Rizzo:** I mean a breakdown of this one, what is everything, what is each thing, and the estimate for the next crop year, 26-27.

**Felipe Vicchiato:** In general terms, Julia, for maintenance CAPEX, if approximately 1.9 billion, it contemplates 1.910 billion, it contemplates crop treatment, planting, and off-season maintenance. This number, we expect to be close to 1.9 billion next year as well, meaning that this has no inflationary effect, but as part of this calculation, we also have lower because planting labor is there, maintenance labor is there, and labor for crop treatment is also contemplated.

So some inputs may give you some economic benefits so you might reduce the cost given inflationary effect of input. So nominally speaking, this number should be stable or flat next year.

Since productivity is higher, okay, let's say I posted 1.9 billion this year, but if next year productivity is 1.77 with 137, so if productivity is 35 or even 142, then you have a leverage with a lot more CAPEX. So this is one path.

The other one has to do with freight and transportation, which is another relevant part of the cost. Basically, CCT, the only item that is variable is transportation because cutting and loading, if you have more cane, you spend more diesel to transport the cane. But cutting and loading is not so variable because you have the same person, so cost is almost the same. If I am more efficient, I can certainly have an important cost reduction.

So these are the two main egg items that we will try to adjust with higher yield and higher productivity.

**Julia Rizzo:** I have another question. Cost of fertilizers are up. I don't know whether it's a matter of timing, but you still have Santa Elisa. In nominal terms, how big is CCT?

**Felipe Vicchiato:** No, in reais it did not go up, because when I bought it way back then, and it is part of my 1.9 billion, I think I bought it at 5.60 or 5.70. But when I look at it now in reais, it's about the same thing.

**Julia Rizzo:** And CCT, how much is it from the total?

**Felipe Vicchiato:** CCT is not part of that 1.9 billion. It's contemplated in cost of goods sold, COGS. It's about R\$ 40 to 50 per ton. I'm getting the numbers, just a sec, but it's a significant amount.

**Julia Rizzo:** I'm just thinking about cost assumptions for next year when compared to this current crop year. What is behind is dilution costs in addition to productivity increase.

**Felipe Vicchiato:** I mean, the bulk of it will come from productivity increase. There is nothing else that is so significant. There is no aggressive assumption here involving cost reduction next year that does not include better productivity. We are not including fertilizer or anything.

**Julia Rizzo:** But shouldn't you do it?

**Felipe Vicchiato:** You know what the problem is? When you do not use a lot of fertilizers or crop protection, well, you might reduce your CAPEX. Okay, but a year from now, you won't have enough cane. I mean, this is what is happening to my neighbors. That's the problem. You can't cut on fertilizers or inputs. If I were in dire straits and I couldn't find any other way, okay. But if you do that, you compromise next year, not just the far future, but next year. Because instead of having 80 tons per hectare, you'll have 70, you'll have a lot of weeds, you will pay for leasing areas that you didn't plant.

In a lease area today, the bulk of our sugar cane plantation is leased. 25 to 30% of the cost is lease. So if you're not planting because you're reducing your cost, you say "OK, I will cut costs and so I will not plant in this area". But you're still paying for lease. You're paying for lease in an area that is not producing anything.

So what do you do? You give back that leased area. That's why it takes some time. It's a process. Adjustments do not occur overnight. In our case, we don't have that problem. Okay, we'll say "it's a tough year, prices are bad", but even then, we have lower margins, but we can move on. But other mills that have been in this process for much longer, there is a time when they do what you said. I mean, it's not that they have a choice, they have to do it.

**Julia Rizzo:** Thank you. I got it.

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

**Felipe Vicchiato:** Well, thank you all for joining us today, and we are certainly available to answer any additional question, John, Alissa and myself.

So, have a very good afternoon. Thank you.



**Operator:** The conference call of São Martinho is now concluded. Thank you very much for joining us and have a very good afternoon.